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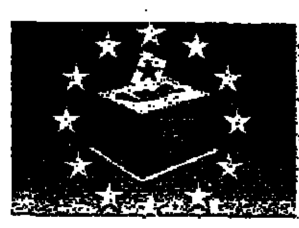

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY MAY 10 1994 — D8523A

Japan's current account surplus falls to $15.76bn

Japan's current account surplus, the source of friction in relations with the US, could be peaking, Japan's ministry of finance predicted.

The surplus fell 16.1 per cent to $15.76bn for March, with exports up 5.3 per cent at $35.6bn and imports up 10.3 per cent at $20.4bn. Also, both the current account and trade surpluses fell in yen terms during the 1993 financial year, the first drop in three years, according to the ministry. Page 16

Yemen oil industry 'at risk': Yemen's civil war, which has prompted the emergency evacuation of most foreign oil company expatriates, is severely threatening an industry long seen as central to the country's economic prospects, oil executives said. Page 16

González draws support from left wing: The left wing of Spain's ruling socialist party, headed by deputy party leader Alfonso Guerra, has come to the aid of the scandal-hit government after months of ostracism. The move came as judge Baltasar Garzón, the best-known magistrate in the country, said he was resigning his socialist seat because Mr González was not doing enough to curb corruption. Page 16

Bankers Trust replaces WM: Bankers Trust, the US-based bank, has replaced the long-time chairman of WM Company, its performance measurement subsidiary, with a senior banking official. The move is aimed at building a "global" business selling its services to other bank clients. Page 18

Major under pressure on referendum: The UK's ruling Conservative party was in turmoil as prime minister John Major fought a rearguard battle against intense pressure for a referendum on the next steps towards European integration. Page 7; The right question time, Page 14

AB Foods plans share reorganisation:

Minority shareholders of Associated British Foods, the milling, baking, sugar and other food products group, will be offered equivalent shares in a newly quoted company and a 10p a share special dividend as part of the reorganisation of the group's ownership. The plan will release £130m ($190m) to the founding Weston family. Chairman Garry Weston (above) said the family intended to retain control of AB Foods. Page 17; Lex, Page 16

US healthcare reform in trouble: US president Bill Clinton's proposal to require employers to provide health insurance for their workers, a central element of his healthcare reform plan, is running into difficulties in Congress. Page 5

Delay in naming Italian cabinet: Italy's president Oscar Luigi Scalfaro was reported to be delaying confirmation of Italy's 53rd postwar cabinet headed by media magnate turned politician Silvio Berlusconi. Page 2

African development bank weighed down: Mounting arrears from borrowing countries and the need to make greater provisions against loan defaults cut the African Development Bank's net income by 31 per cent last year to $112m. Page 4

Daimler-Benz, Germany's biggest industrial company, is planning to place $250-$300m worth of new shares in Singapore when it holds its long-awaited rights issue, as part of the automobile-to-aircraft group's strategy of internationalising its shareholder base. Page 17

Swiss bid values Cedest at FFr2.6bn: Holderbank, the Swiss-based international cement and aggregates group, is making an agreed bid for the cement, ready-mixed concrete and aggregates operations of Ciments et Engrais de Dannes et de l'Est (Cedest), for FFr2.6bn ($456m). Page 17

Kemper seeks higher bid: Advisers to Kemper, the US investment group, were contacting other possible bidders for the company to try to elicit a higher price than the $60 a share offered by GE Capital. Page 17; Lex, Page 16

AGF to forge link with SocGen: Assurances Générales de France, one of France's largest insurance groups, is to forge closer links with Société Générale after its privatisation, rather than Crédit Lyonnais. Société Générale and Crédit Lyonnais have for some months been competing to become AGF's strategic partner in the banking sector. Page 20

■ STOCK MARKET INDICES		
FT-SE 100:	3,097.8	(-8.2)
Yield	3.92	
FT-SE Eurotrack 100	1,437.3	(-13.33)
FT-SE-A All-Share	1,566.43	(-0.4%)
Nikkei	19,786.96	(-75.51)
New York: lunchtime		
Dow Jones Ind Ave	3,646.89	(-22.61)
S&P Composite	444.92	(-2.90)
■ US LUNCHTIME RATES		
Federal Funds:	$3\frac{15}{16}$%	
3-mo Treas Bills: Yld	4.323%	
Long Bond	$84\frac{1}{2}$	
Yield	7.607%	
■ LONDON MONEY		
3-mo Interbank	$5\frac{1}{4}$%	($5\frac{3}{16}$%)
Liffe long gilt future:	Jun $103\frac{1}{32}$	(Jun $103\frac{7}{16}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (June)	$16.21	(16.17)
■ Gold		
New York Comex	$382.3	(386.2)
London	$381.25	(375.3)

■ STERLING		
New York lunchtime:		
$	1.497	
London:		
$	1.496	(1.492)
DM	2.4801	(2.4859)
FFr	8.4996	(8.5227)
SFr	2.1164	(2.1132)
Y	153.896	(153.348)
£ Index	79.4	(79.5)
■ DOLLAR		
New York lunchtime:		
DM	1.6545	
FFr	5.6705	
SFr	1.4137	
Y	102.7	
London:		
DM	1.6579	(1.6661)
FFr	5.6817	(5.7123)
SFr	1.4147	(1.4164)
Y	102.875	(102.78)
$ Index	65.2	(65.4)
Tokyo close Y 102.41		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000		
						UAE	Dh12.00		

Yeltsin upset by plans for forces' Berlin farewell

By Leyla Boulton in Moscow and Judy Dempsey in Berlin

President Boris Yeltsin yesterday appealed to the west not to humiliate Russia after a row blew up in Germany over plans to exclude Russian troops from a farewell parade of Allied forces from Berlin.

American, British and French troops are due to mark the departure from Berlin with celebrations organised by the city authorities on June 18, nearly 50 years after Berlin surrendered to the Red Army.

But the Russians have been told they cannot take part, and Chancellor Helmut Kohl has excluded them from the federal government's send-off due to be held in Berlin on September 8.

The German government and western allies have agreed on separate ceremonies on the grounds that the role of the Russian troops as an occupying force was very different from that of the west.

The planned farewell celebrations will be discussed by Mr Kohl and Mr Yeltsin, who arrives in Germany tomorrow for an official visit, and final details are due to be settled this week.

Russia has been offered two civilian ceremonies, in Berlin and in the southern city of Weimar on August 31, which Mr Yeltsin will attend. Moscow has made clear it sees plans for a separate send-off as shabby treatment.

President Yeltsin, reflecting hurt national pride, said yesterday during Victory Day celebrations in Moscow: "It is important to remember just one thing.

"Russia must always be addressed in a tone of respect because our people will never accept anything else from any country, such is the will and testament of those who died defending the honour and independence of our Motherland."

On a more conciliatory note, President Yeltsin added that disagreements with the west were also accompanied by "unique opportunities to end our mutual distrust".

It is clear from the differing reactions in east and west Germany that the Russian role is seen differently in both halves of the country.

Divisions erupted yesterday within Germany's opposition Social Democratic party, which split along east-west lines on how to say good-bye to the remaining 46,000 Russian troops, who will officially leave on August 31.

East German leaders of the opposition Social Democratic party want the Russians to be included in the ceremonies with the three western allies in the name of peace and friendship. The Cold War, they say, is over.

But the west German SPD leadership, including Mr Rudolf Scharping, the SPD leader, says the Russians must march alone. Mr Scharping yesterday backed Mr Kohl's government, arguing that a joint ceremony would confuse the role of western troops with Moscow's virtual occupation of east Germany.

The Red Army played a crucial role in the defeat of Nazi Germany. An estimated 27m Soviet citizens died during the war.

Mandela sets his priorities

Eruption of joy for S Africa's first black head of state

By Michael Holman and Patti Waldmeir in Cape Town

Mr Nelson Mandela yesterday completed his journey from prison to the presidency when South Africa's newly elected parliament chose him as the country's first black head of state.

The characteristic sounds and symbols of Africa echoed through the legislative chamber. Women ululated with joy from the African National Congress benches and a traditional Thembu praise singer, clad in skins and beads, chanted the new president's honour.

Erstwhile rivals embraced and apartheid's former defenders saluted their new chief. Men and women convicted of treason swore an oath of loyalty to the new state.

They're all in this together ....Page 15

Mr Mandela stood hand on heart as a military band played "Die Stem" (The Voice), anthem of apartheid South Africa. A white policeman saluted as the same band played the liberation hymn, "Nkosi sikele i'Afrika" (God bless Africa). Both are now official anthems.

Mr Ronnie Kasrils, newly elected ANC member of parliament once known as the scarlet pimpernel for his efforts to elude the law, spoke for many when he said of the spectacle: "I have to keep pinching myself."

Shares on the Johannesburg Stock Exchange welcomed the event with a 2.5 per cent rise as political euphoria dominated market sentiment.

For the day at least, old enmities were set aside. Mr Mandela appeared delighted to spot Inkatha leader Chief Mangosuthu Buthelezi in the chamber, and crossed the floor to embrace him He also went out of his way to greet General Constand Viljoen, leader of the rightwing Freedom Front, and Pan Africanist Congress leader Mr Clarence Makwethu.

The government of national unity neared completion with the announcement of six ministers from the outgoing National party government. Mr Pik Botha, former foreign minister, becomes minister of mineral and energy affairs, Mr Roelf Meyer, chief constitutional negotiator, was named minister of provincial affairs and constitutional development, and Dawie de Villiers, Cape NP leader, was appointed minister of environment.

Mr Mandela made his first public address as president from the spot where in February 1990 he spoke after his release from 27 years in jail.

He told thousands outside Cape Town city hall: "Today we are entering a new era. Today we celebrate not the victory of a party, but a victory for all the people of South Africa."

He said: "We place our vision of a new constitutional order on the table not as conquerors, prescribing to the conquered. We speak as fellow citizens to heal the wounds of the past with the intent of constructing a new order based on justice for all."

In a section of the speech aimed at minority communities, Mr Mandela pledged a social order "which respects completely the culture, language and religious rights of all sections of our society and the fundamental rights of the individual".

While the majority rule principle was vital since the "vast majority had been systematically denied their rights ... democracy also requires that the rights of political and other minorities be safeguarded."

Brothers in arms: Nelson Mandela embracing Chief Buthelezi in parliament yesterday — Reuter

Mr Mandela was followed by an ecstatic Mr Desmond Tutu, Anglican archbishop of Cape Town who flung his arms wide and declared "we are free today, all of us, black and white together. We are the rainbow people of God".

Germany considers unilateral ban on beef

By Quentin Peel in Bonn

The German government will tomorrow consider a unilateral move to ban the import of British beef because of public concern over "mad cow disease", in defiance of the European Commission and the rest of the European Union.

A draft regulation to control beef imports will be submitted to the German cabinet by Mr Horst Seehofer, health minister, on the grounds that a form of the disease – bovine spongiform encephalopathy (BSE) – may possibly be communicated to humans.

The German government is pressing ahead with the ban in spite of warnings from Brussels that it will face injunctions and legal action in the European Court of Justice.

Its own experts have also expressed doubt that any unilateral ban can be effectively enforced because of the open borders in the EU. But health ministry officials insisted yesterday that the measure will be enacted and can be put into effect.

In London, Mrs Gillian Shephard, British agriculture minister, said a unilateral ban on British beef by Germany would be unjustifiable and illegal under the Treaty of Rome.

Britain would take court action if necessary against Germany for creating an unfair trade barrier, but it looked to the European Commission to take action in the

Continued on Page 16

Bond prices fall after Fed leaves US rates unchanged

By Patrick Harverson in New York and Philip Gawith and Sara Webb in London

Long-term US interest rates rose to their highest levels for 18 months yesterday as Wall Street expressed its disappointment that the Federal Reserve had decided not to tighten monetary policy to cool the US economy.

After last Friday's stronger-than-expected April employment report, concern deepened on Wall Street that the US economy was growing too fast and bond market investors had hoped that the Fed would raise interest rates to prevent a revival of inflation.

However, when the Fed failed to signal a rate increase yesterday morning, bond prices quickly fell. By 1pm, the price of the benchmark 30-year bond was down almost three-quarters of a point, and its yield – the best measure of long-term interest rates – had risen to 7.61 per cent.

The rise in bond yields upset the stock market, where the Dow Jones Industrial Average was down 24.39 at 3,645.11 by 1pm.

The European government bond markets opened on a weak note in response to the decline in the US Treasury market on Friday afternoon, and spent most of the day "Fed-watching", as did the foreign exchanges.

With the Fed holding a $29bn quarterly refunding auction over the next two days, there were expectations that it would lift rates.

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Mr Avinash Persaud, head of global currency research at JP Morgan in London, suggested that without such a move "they will be faced with a falling bond market and a collapsing currency, and that will not induce foreigners to participate in the auction".

In these circumstances, Mr Persaud predicted that the dollar would fall to the levels at which central banks were forced last week to intervene in support.

Figures released in Japan yesterday gave encouragment to the dollar. The unadjusted current account surplus for March fell 16.1 per cent to $15.76bn, from $18.79bn a year earlier, suggesting that the huge surplus that has supported the yen might be starting to shrink.

Figures released by the ministry of finance also revealed a long-term capital surplus of $21.92bn in March, the highest on record. This was the result of Japanese companies selling US and European bonds ahead of the March financial year end, and foreign buying of Japanese stocks.

Mr Persaud said these capital figures, which explain the recent strength of the yen, were a one-off and unlikely to be repeated.

The combined effect of reversals in the upward trend on Japan's current and capital accounts would be to weaken the yen and strengthen the dollar.

CONTENTS

Strasbourg awaits a change of guard

By David Gardner in Brussels

EUROPEAN ELECTIONS June 9 and 12

Strasbourg airport at dawn is a desolate place at the best of times. But for many Euro-MPs, flying out early last Thursday from the final plenary session of the European parliament before next month's Euro-elections, this is not the best of times. The forlorn expressions on some MEPs' faces bore eloquent testimony to widespread predictions that between half and two-thirds of them are not coming back.

When the Parliament reassembles in July – as 567 members rather than 518 now, to reflect adjustments triggered by German unification – there will be a lot of new MEPs. Less clear is how much of the 1994-99 intake will represent genuine new blood.

Party barons in Strasbourg say there has been more intense competition for Euro-seats than at any time since the parliament became a directly-elected body in 1979.

But they acknowledge that, as in the past, many new members will be refugees recycled from national politics, and some party lists will be headed by figures who have no intention of setting foot in the parliament, except to collect their credentials.

In France, for instance, a host of former Socialist ministers have emerged at the top of two lists, one headed by by Mr Michel Rocard and Ms Elisabeth Guigou, and another non-aligned list led by businessman-politician Bernard Tapie and environmentalist Brice Lalonde. But this looks more like an attempt to salvage something from the wreckage of last year's Socialist defeat. In Italy, by contrast, where past list leaders such as the disgraced former Socialist prime minister, Mr Bettino Craxi, or the former Communist leader Achille Ochetto, hardly ever turned up, the victor of the March election, Mr Silvio Berlusconi, is contemplating heading several lists for Strasbourg.

It can be safely predicted that the new parliament will be more socialist in complexion and more German in accent. Germans will almost certainly lead the Christian Democrats and the Greens, and could lead the Socialists too.

As witnessed in recent months, notably over ratification of EU enlargement, the Strasbourg assembly will also become more assertive of the new legislative rights it won through the Maastricht treaty.

The Socialist Group, already a dominant force with 197 MEPs, is expected to gain beyond 220 members. Its main rival, the Christian Democrat European People's party group, is likely to see its representation fall from 162 now to about 150.

In the outgoing parliament, the two big blocs collaborated closely, parcelled out the key positions, and even shared the presidency. The current incumbent, German Christian Democrat Egon Kelpsch, succeeded Spanish Socialist Enrique Baron halfway through the five-year term.

But this bipartisan approach looks less assured with a probably larger and more cohesive Socialist bloc, and a more fragmented right.

The main axis of the Socialist Group will be Anglo-German. The UK Labour party, already the largest national group at Strasbourg, with disproportionate influence, appears likely to win 60 or more seats from 46 now. With the increase in Germany's allocation from 81 to 99 seats, the SPD should get around 45. "An Anglo-German deal in the Socialist Group is vital," says one senior parliament official, not only for the cohesion of the Group, but for the smooth running of the assembly.

The leadership of the socialist bloc is the single most influential position at Strasbourg, and both Labour's Pauline Green and the SPD's Klaus Hänsch want it. A possible compromise might see the job go to Ms Guigou, European affairs minister in the last French Socialist government.

The group leaders as a whole – assembled as the Conference of Chairmen – have become the driving force of the parliament, with increasingly professional staff, and a cadre of experienced *rapporteurs* to steer legislation. But the other great prizes are the chairmanships of the most important committees.

Parliament has the right to veto most legislation passed in Council by qualified majority vote, and to reject the new European Commission due to take over next year. The ability to turn these blocking powers into legislative influence will depend on the skills of committee chairmen and secretariats and on the *apparats* of the political groups.

Bodies such as the parliament environment committee, headed by UK Labour MEP Ken Collins, already wield real legislative influence, and are among the most heavily lobbied units in the EU power structure. The struggle to control them will be fierce, but the parliament as a whole is beginning to set store by having experienced people in charge of them.

As a condition for approving entry for new members Austria, Sweden, Finland and Norway, the parliament has won political pledges that MEPs will have a voice in the 1996 review of EU power-sharing.

As a body, Strasbourg is moving closer to the centre of EU decision-making. If all four applicants join next year, increasing the parliament's size to 639 members, MEPs may even get their wish to move to Brussels, the seat of EU power.

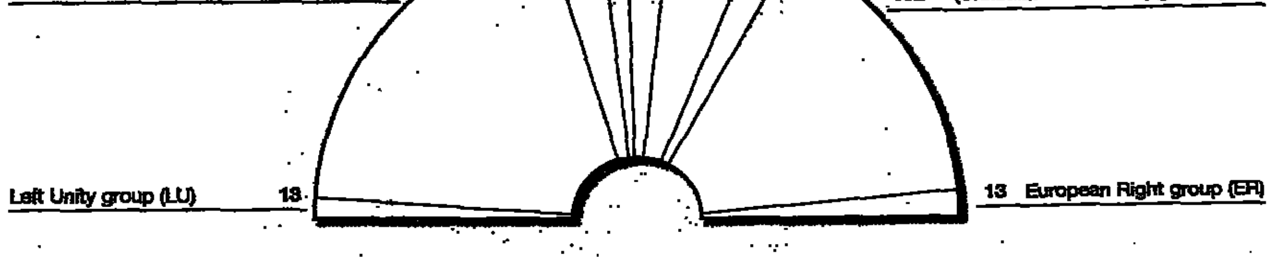
France has persuaded its partners to make Strasbourg the assembly's permanent seat, but the existing parliament building there is too small. Building work on a new chamber in Strasbourg has started, but parliament has alsoacquired a huge building in Brussels that could fit in everyone – an environment of vaulted prominence matching the assembly's new ambitions.

European parliament

Powers

The parliament can	It cannot
•Amend or veto most European measures passed by qualified majority voting,	•Initiate legislation
•Reject the Commission's draft budget and ask for it to be revised	•Dismiss individual Commission members
•*Help determine future Commission through end-of-year approval*	•Decide EU revenues
•Dismiss entire Commission with censure motion	

Present parliament: total 518, *(from June 1994 the total number of MEPs will be increased to 567)*



Breakdown of MEPs

Age groups	
20-35	5
35-50	175
50-65	251
65+	82
Unknown	5

Gender	
Male	418
Female	100
Total	518

Background	
Industry	30
Professional	192
MPs*	124
Functionary	107
Misc.	20
Unknown	45

Average attendance**		
January 1994	355	68.5%
February	348	67.2%
March	372	71.8%
April	376	72.6%

Source: FT library, based on individual biographies in 'The European Companion' (1994)

* Members or former members of national parliament

** Registered for sessions. Not all registered members attend all sessions

Bonn fears a low turn-out

Voter apathy could help the extremists, writes Quentin Peel

The leaders of all Germany's main political parties are watching the outcome of next month's European elections with considerable foreboding.

They fear that the general mood of political disaffection, compounded by a widespread feeling that the European parliament lacks real power, will lead to a low turn-out. That in turn would boost the chances of the extremist parties, such as the far-right Republicans, of gaining the necessary 5 per cent of the votes required to win seats.

In speech after speech across the country, both Chancellor Helmut Kohl and Mr Rudolf Scharping, his Social Democratic challenger, urge their audiences to go out and vote, to keep the extremists out.

The government's federal information office has joined forces with the European parliament, the German Bundestag and the European Commission to finance and launch a publicity campaign to encourage the maximum turn-out.

Every conceivable publicity gimmick, from a Roger Rabbit-like figure in a cinema cartoon, through specially-printed telephone cards, to mobile vans touring through towns and villages, has been roped in to galvanise the electors.

And yet most political observers remain convinced that many voters will either stay at home, or vote for protest parties, come *June 12*.

"People are saying they can vote again [at the general election] in October," says Dr Karl-Rudolf Korte, of the Germany research group at the University of Mainz. "There is so much bad feeling on so many domestic political issues, I am sure people feel that this time they can let off steam."

His gloomy forecast is not entirely borne out by the latest opinion poll (see table), which suggests a big swing back to the main "establishment" parties, and only a marginal 1 per cent voting for the far-right Republicans. But no one quite trusts the polls.

Last time round, the Republicans won no less than 7.1 per cent of the national vote, considerably better than the Free Democratic party (FDP), the minority partner in the ruling coalition.

All the main parties have a big interest in reversing that trend, not least by ensuring the largest possible turn-out overall.

Apart from overcoming apathy, the established parties share an obvious problem in *limiting the protest vote*. All of them – Mr Kohl's Christian Democratic Union (CDU) and its Bavarian sister party, the *Christian Social Union* (CSU), Mr Scharping's Social Democratic party (SPD), and the FDP – are more or less committed to the cause of European integration. The German public, however, has been growing gradually more cautious, above all about the process towards economic and monetary union, and the exchange of the D-Mark for a single European currency.

Opinion poll standings: European elections

	Result 1989	1994*
CDU/CSU	37.8%	38%
SPD	37.3%	41%
FDP	5.6%	6%
Greens	8.4%	8%
Republicans	7.1%	1%
Others	3.7%	3%

* Emnid Der Spiegel poll May 1994

Restrictions on the import of cheap bananas from central America have not helped. Those who feel strongly enough about it have little alternative but to vote for a protest party.

An extraordinary array of no fewer than 23 different groups has been given the go-ahead to stand in the elections, ranging from the Progressive Democrats (PDS), the former East German communist party on the left, to the Republicans on the right.

There is also the Alliance of Free Citizens, founded by Mr Manfred Brunner, once chef de cabinet to Mr Martin Bangemann, the senior German commissioner in Brussels, to mobilise the anti-Maastricht vote.

The best *thing for the big* parties will be if all these smaller ones pick up a few votes, but none succeeds in crossing the 5 per cent threshold.

Mr Kohl, Mr Scharping, and Mr Klaus Kinkel of the FDP, are refusing to panic. All have restated their pro-European commitment.

The CSU, on the other hand, has clearly shifted towards a more Euro-sceptical stance, for fear that it will lose its seats in the European parliament altogether.

It has to win around 40 per cent of the poll in Bavaria in order to gain 5 per cent of the national vote, and Bavaria is the home base for both the *Republicans* and Mr Brunner. Mr Edmund Stoiber, the CSU strongman and Bavarian prime minister, has expressed open doubts about the ambition of creating a European "federal state", and about the Maastricht timetable for monetary union.

The other great unknown for the major parties is how the east Germans will vote in their very first European election.

Germany will have 99 members of the 567 in the next Strasbourg parliament, including 18 extra for the new east German states.

Most east Germans appear to regard the European Union with suspicion.

Their greatest concern is that it should be rapidly opened to include their eastern neighbours – Poland, the Czech Republic and Hungary in particular – to help them revive old trading ties.

It is an open question how their doubt will translate into votes.

The big parties have also signally failed to mobilise European, as opposed to domestic, political themes.

Dr Korte cites the case of the European parliament's own campaign poster – a scantily-clad Europa riding a sturdy bull through a flaming ring of European stars, with a motto *urging voters to the polls*.

The poster was withdrawn after vehement protests from feminists, over its lack of taste.

"As usual, there was no controversy about European policy. It was about women's rights," he said. "Even the European parliament could only stir up a domestic quarrel."

Greek minister says poll crucial

QUESTIONS ON EUROPE

Theodore Pangalos, 56, Greece's European affairs minister, presiding over the EU's foreign ministers council until June. A former lecturer in development economics at Paris university, he has practised law and edited a left-wing journal in Athens.

How important are the elections? "They are a fundamental test of the European public's interest in European unification. They are the first elections allowing European citizens to participate whatever their place of residence."

Should the parliament be given greater powers? "The parliament will actively participate in preparing the 1996 conference to reform EU institutions. We should aim for an increased role for the only directly elected body for European citizens."

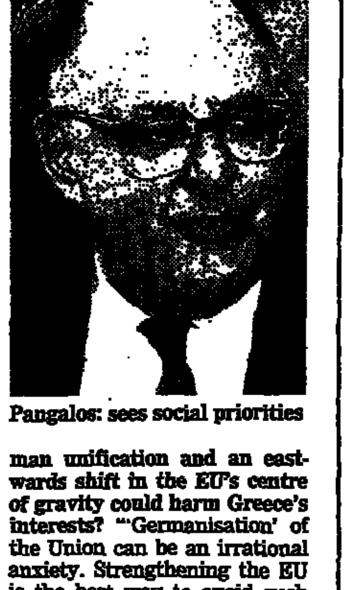
What should be the EU's priorities in the next few years? "Employment and migration flows will be the main economic and social problems for the next decade. If we don't answer these two challenges positively, we will have a serious political and social crisis."

Should the EU give priority to deepening integration among the 12, or to widening it towards eastern Europe? "The enlargement to 16 has almost entirely exhausted the limits of the EU's capacity to absorb new members. Two small countries like Cyprus and Malta could start negotiations in the immediate future. Further enlargement will entail radical reform of EU structures."

Are you worried that German unification and an eastwards shift in the EU's centre of gravity could harm Greece's interests? "'Germanisation' of the Union can be an irrational anxiety. Strengthening the EU is the best way to avoid such dangers. Loose co-operation limited to economic or commercial interests could produce or increase domination."

Will assistance for poorer EU states eventually have to be cut? "What you call 'assistance' is structural action aimed at increasing social and regional cohesion and helping recovery. "Such action is essential if we want more than a simple free trade zone."

Is the aim of economic and monetary union by 1999 still practicable? "The *Maastricht* treaty provides the route to Emu. Some countries might not satisfy the criteria in 1999, and Greece might be one of them. Such countries will have to wait and make further efforts. The world will not end in 1999."



Pangalos: sees social priorities

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Surge in Euro-polls has party big guns aiming at Marseilles' favourite son

Tapie's recovery unnerves Socialists

By Alice Rawsthorn in Paris

Mr Bernard Tapie, the controversial French politician and businessman, yesterday sought to quash speculation that he might contest next *year's presidential election* by claiming that his main political ambition was to become mayor of Marseilles.

"The next election, the only one that interests me, is the Marseilles election," he said on *French radio. "None of the others* interests me at all."

Mr Tapie, who holds a parliamentary seat near Marseilles and was briefly minister of urban affairs in the last Socialist cabinet, has come under fire *from the Socialist establishment because of the success of* MRG, his radical left group, in the campaign for next month's European elections. MRG, recently dubbed *Les Tapistes by the French* press, has risen steadily in the opinion polls. It now commands the support of around 10 per cent of the electorate, thereby jeopardising the Socialists' hopes of repairing the damage caused by their *defeat in last year's parliamentary elections* by building on their gains in this spring's local vote.

Mr Tapie has come under fire from the Socialist establishment because of the success of MRG, his radical left group, in the campaign for next month's elections

Ms Martine Aubry, a former Socialist minister who is the daughter of Mr Jacques Delors, president of the European Commission and a contender for the Socialist presidential candidacy, on Sunday accused Mr Tapie of having "no concrete ideas" to offer voters and of "showering people with illusions". *Her* criticism was echoed by Mr Michel Rocard, Socialist first secretary and Mr Delors' chief rival for the presidential candidacy, who said that he was "in complete intellectual agreement" with Ms Aubry on the Tapie issue.

So far the opposition of the establishment appears to have enhanced Mr Tapie's popularity with the French public, rather than detracting from it. He has always cut a flamboyant figure in the élitist world of French politics as one of the few self-made men ever to have *made it to the top.*

His popularity has even survived a series of scandals over his business dealings. Mr Tapie has not only been implicated in the allegations of match-rigging against Olympique-Marseille, his football club, but is under investigation in a *fraud* trial. He was last week fined FFr1m ($170,000) by the French stock market authorities for releasing misleading information about one of his old business interests.

These revelations, coupled with the recent decision by Crédit Lyonnais, his bank, to cal in his loans, have served to reinforce Mr Tapie's maverick reputation and have helped fuel *Les Tapistes'* rise in the *opinion polls*. The French media has been swift to draw parallels between Mr Tapie and Mr Silvio Berlusconi, the new Italian prime minister.

EUROPEAN NEWS DIGEST

Delay in naming Italian cabinet

President Oscar Luigi Scalfaro was last night reported to be holding up confirmation of Italy's 53rd post-war cabinet headed by media magnate turned politician Silvio Berlusconi. The president was said to be holding reservations over the compromise arrangement worked out for two key posts, interior and justice. This had been agreed by Mr Berlusconi earlier in the day with his two main allies in the Freedom Alliance – the populist Northern League of Mr Umberto Bossi and the neo-fascist MSI/National Alliance of Mr Gianfranco Fini. Mr Berlusconi had to allow the League's number two to take the *Interior Ministry on* the basis that the Justice Ministry was earmarked for Mr Cesare Previti, a newly elected senator for Forza Italia and Mr Berlusconi's principal lawyer.

President Scalfaro has previously been critical of the interior portfolio going to the League, which is rooted solely in the north and has strong federalist demands. He also was said to have been concerned that Mr Previti was too close to Mr Berlusconi's Fininvest media empire at a time when magistrates are investigating it.

Matters were complicated over the week-end by the refusal of Mr Antonio Di Pietro, Italy's best known anti-corruption magistrate, to take the post of interior minister as an independent. The issue is expected to be clarified today. If not,it will be almost impossible to fit into this week the necessary confidence motions in the two houses. *Robert Graham, Rome*

French regional finance reform

French prime minister Edouard Balladur has agreed to early reform of local government finance after his interior minister, Mr Charles Pasqua, threatened to resign if he did not. Mr Balladur had wanted to delay, until after the presidential election in a year's time, action on an issue that divides the two components of his coalition government – the UDF centre-right, which believes in regional autonomy, and the RPR Gaullists, who believe in a more centralised state.

But Mr Pasqua, the RPR interior minister, has championed the need for France's central government to step in to reduce growing regional fiscal disparities over the past decade, and as one of the most popular and populist ministers he was strongly placed to insist. a *David Buchan, Paris*

Schneider in tax evasion probe

Mr Jürgen Schneider, the German property magnate whose company went bankrupt with debts of up to DM5bn (£1.99bn) after he disappeared last month, is now under investigation for tax evasion, the Frankfurt prosecutor's office said yesterday. Mr Schneider is already under investigation for falsification of documents and is the subject of bankruptcy proceedings. A warrant has been issued for his arrest. Mrs Hildegard Becker-Toussaint, spokeswoman for the prosecutor's office, said the new investigation had been triggered by numerous Schneider employees reporting income on which they had not paid taxes and information from the tax authorities. Mrs Becker-Toussaint was unable to comment on newspaper reports that Mr Schneider had transferred DM242m to accounts in the Bahamas via London. *Reuter, Frankfurt*

New plan for Olympic Airways

Greece is due to present a revised plan for restructuring Olympic Airways, the loss-making state carrier, to the European *Commission today. The government wants permission* from the Commission to write off more than Dr400bn (£1.1bn) in accumulated debt and provide a capital injection for the company. The restructuring calls for cutting over 1,200 jobs, eliminating almost all long-haul routes and reducing the size of Olympic's fleet. In addition, wages would be frozen for up to four years. Olympic's unions have accepted the need for restructuring, *including some job losses, but oppose the wage* freeze. The airline's operating losses last year were Dr23bn, and are forecast at Dr24bn for this year, while accumulated debt is projected to reach Dr550bn. The Commission rejected as "unrealistic" a five-year restructuring plan for Olympic submitted last summer. *Kerin Hope, Athens*

Lot, American Airlines in pact

Lot, Poland's state-owned national airline, and American Airlines, one of America's biggest carriers, are to sign a memorandum of understanding today on a co-operation agreement. According to Lot sources the agreement will involve no financial links between the two airlines but a sharing of ticket and communications networks. Lot, which has a modern fleet of Boeing airliners, carried 1.4m passengers last year, 10 per cent more than in 1992. Last year the airline reported a modest Zloty 42bn (£1.25m) net profit compared with a Zloty 84bn net loss in the previous year. *Christopher Bobinski, Warsaw*

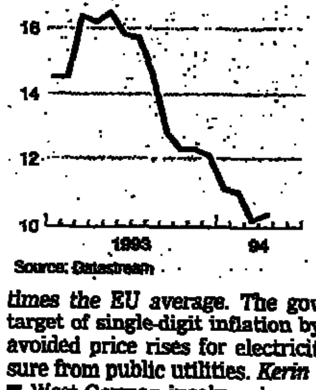
Serbs 'still have heavy weapons'

The commander of United Nations troops in Gorazde said yesterday he believed the Serbs still had heavy weapons within the 20km weapons exclusion zone around the Bosnian Moslem town, in defiance of a Nato ultimatum. Lieutenant Colonel David Santa-Olalla, the UN commander in Gorazde, said, "I am quite certain that there are still heavy weapons *being held within the zone." He added that the Serbs still had* between 100 and 150 police in the 3km zone. UN officials say the police are in fact soldiers who have just changed their uniforms. UN Protection Force spokesman Eric Chaperon said Bosnian Serb leader Radovan Karadzic had assured Mr Sergio Vieira de Mello, the UN's head of civil affairs, that the troops would pull out of the Moslem enclave but nothing happened. *Reuter, Sarajevo*

■ Croatia is reviving the kuna, the currency used by the Nazi puppet regime of the second world war. It will replace the dinar, inherited from Croatia's days in the old Yugoslav federation, from May 30 – Croatian Statehood Day. *Reuter, Zagreb*

ECONOMIC WATCH

Greek inflation edges to 10.4%



Greece's annual inflation rate rose *to 10.4 per cent in* April from 10.2 per cent the previous month, according to figures released yesterday by the national statistical service. Monthly consumer prices were up by 1.5 per cent, the result of a new tax on heating fuel and higher food prices. Rises in household rents and petrol prices also contributed to the rise. *Last* month's rise reverses a year-long trend that has seen inflation fall steadily from a peak of 16.4 per cent in March 1993. However, Greece's inflation rate is still more than three *times the EU average*. The government, hoping to meet the target of single-digit inflation by the third quarter of 1994, has avoided price rises for electricity and transport, despite pressure from public utilities. *Kerin Hope, Athens*

■ West German insolvencies rose by 29.7 per cent in February from a year earlier to 1,710 cases, the Federal Statistics Office said. The total included 1,283 insolvent companies, up 32.0 per cent. In the first two months of 1994, west German insolvencies totalled 3,267, up 24.4 per cent, of which 2,418 were companies, up 27.5 per cent.

■ The number of insolvencies in Austrian companies rose sharply in 1993 to 5,082 from 3,658 in 1992, the Austrian credit-watch agency Kreditschutzverband von 1870 (KSV) said. Outstanding liabilities in the insolvencies rose to Sch32.2bn (£1.82bn) from Sch23.6bn.

■ Swedish Gross Domestic Product growth was forecast at 1.8 per cent in 1994 and 2.5 per cent in 1995 by the Swedish commercial banking group Svenska Handelsbanken.

Estonia protests at 'invasion threat'

By Bruce Clark

Mr Juri Luik, the Estonian foreign minister, yesterday accused Russia of threatening to invade his country by issuing veiled warnings that the former Soviet garrison in the Baltic republic might be reinforced.

He told a meeting of the Western European Union in Luxembourg the Russian statements were "unacceptable if not ludicrous" and said they should be denounced by the international community as open intimidation. He was referring to a statement last Friday by General Pavel Grachev, the Russian defence minister, that Moscow could "provide reliable security" for its bases in Estonia if political circumstances changed.

Estonia was one of nine nations from the former eastern bloc admitted yesterday as "associate partners" in the WEU, the loosely-knit defence grouping which is gradually acquiring strength.

The new status will give the ex-communist countries consultation rights at the WEU but no defence guarantees. It marks an important step for the European Union as it tries to strengthen its political and military ties with eastern Europe and the Baltic states without alienating Russia.

All six states – including the Czech Republic, Hungary, Poland, Slovakia, Bulgaria and Romania – as well as the Baltic trio are being treated as future EU members.

Talks between Russia and Estonia about withdrawing the 2,600-strong garrison broke down last week and Moscow said it would not name a date for renewing them until the Baltic republic came up with more "constructive" proposals.

Earlier, the two sides had agreed in principle on a withdrawal date of August 31. Estonia says a formal agreement was ready to sign at the end of March, but Russia unexpectedly started reopening old questions.

The main sticking point has been the rights of "retired" Russian officers in Estonia, seen by the Baltic republic as a potential cover for the retention of a covert military and intelligence presence.

According to Estonian estimates, the 10,600 residents of the republic who draw Russian military pensions include 1,000 people under the age of 50, and 360 who are below 45. Among the latter group are paratroopers and counterintelligence officers in their 30s.

Estonia insists it will not follow the example of Latvia, which secured a troop withdrawal deal by passing up the right to vet the military pensioners on its soil and granting Russia access to an important radar station. Tallinn is resisting new Russian demands for the retention till the year 2000 of 200 military personnel at the sensitive naval and nuclear reactor base of Paldiski.

The three Baltic republics have set up a joint peace-keeping battalion which uses English as a working language and is receiving help from Britain. Other providers of military knowhow to the region include Sweden and Finland, which yesterday backed away from their traditional neutrality and joined the "Partnership for Peace" devised by Nato.

Hungary's left in poll uprising

Only the liberals can prevent a landslide by ex-communists, writes Nicholas Denton

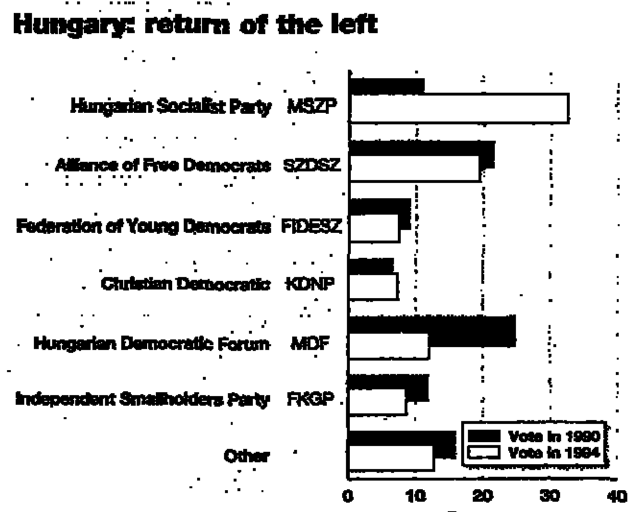
Hungarian liberals yesterday began an uphill battle to stop the former communists translating their victory in Sunday's parliamentary elections into a landslide in the second and decisive round of voting on May 29.

With 32.5 per cent of the vote, the Hungarian Socialist party, the successor to the communist regime, won 55 seats, took the lead in a further 158 and came within reach of an outright majority in Hungary's 386-seat parliament.

The Hungarian elections establish as a firm trend the resurgence of former communists in the region on a tide of public disillusionment with the pain of economic transition. Socialists are back in power in Poland and Lithuania and only in the Czech Republic have the ruling conservatives maintained their popularity.

The Socialist surge came at the expense of the governing conservatives. Voters, bitter at the decline in their living standards, gave the Hungarian Democratic Forum only 12 per cent of the vote. But the liberal Alliance of Free Democrats, whose 19.4 per cent of the vote put it in second place, called on voters yesterday to switch to it in the run-off election later this month to avert a Socialist political monopoly.

Hungary: return of the left



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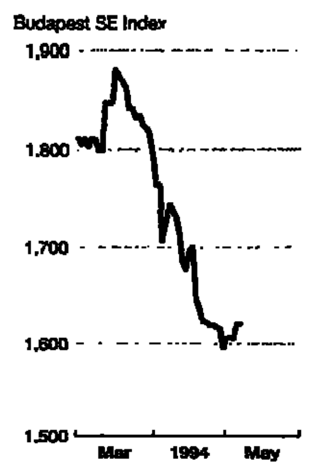


Source: FT Graphite

A Free Democrat comeback would deny the Socialists an outright majority and make the most likely outcome of the election a coalition between the two parties. As in Poland, the Hungarian ex-communists may offer the premiership to the leader of their smaller coalition partner, the Free Democrats', Mr Gabor Kuncze.

Hungary's stock market had discounted a strong Socialist showing in the elections but the prospect of an outright majority for the former communists caused consternation. Only one transaction took place in the first 45 minutes of trading yesterday. But when activity did begin there were few price movements and the BSE index closed down just 1.56 on 1619.22.

Compensation coupons, the vouchers issued by the conservative government to owners of property confiscated by the former communist regime, fell to an all-time low of 49.5 per cent before recovering slightly.

These special securities can be used to buy state property, and while the Socialists have said they will continue with this privatisation programme, the market doubts they will be as generous as the current government in offering state companies for coupons.

A public offering for compensation coupons of shares in Danubius Hotels, one of Hungary's three large hotel chains, was massively oversubscribed as investors sought to reduce their holdings of the securities.

Mr Laszlo Bekesi, the former and likely future Socialist finance minister, also said in an interview that he would immediately halt the small shareholder programme, a Hungarian variant of mass privatisation which allows small investors to pay for public issues on an instalment basis.

But Mr Bekesi, who represents the strong technocratic wing of the party, reaffirmed the Socialists' overall commitment to privatisation. He indeed suggested he would open the economy further to foreign investors, who have already injected more than \$7bn (£4.7bn) into Hungary in the last five years.

Ex-communists embrace a half-capitalist Bulgaria

Virginia Marsh on an emerging private sector dominated by the bright young party and intelligence officers of the 'perestroika' years

In Bulgaria's transition to a market economy – as in other former east bloc countries – it is former senior communists and secret police officers who have been among the quickest to embrace capitalism.

"There is little doubt that communist capital is behind many of the leading entrepreneurs one sees in Bulgaria today," says a western observer. "They will tell you they founded their media empire with two typewriters in a one-room office. What they don't tell you is that the next week they somehow managed to raise a couple of million dollars."

Many of the self-styled "Group of 13", the name given to the business lobby recently founded by the country's largest private companies, started business this way. Between them, the G-13 control a large part of the country's emerging private sector. Their empires include banks, insurance companies, stock exchanges, large trading and financial companies, real estate developments, television channels, and newspapers. Some G-13 companies already have annual turnovers of more than \$1bn (£685m).

Several G-13 executives were among those sent abroad in Bulgaria's "perestroika years" of the 1980s by the Bulgarian Intelligence Service, the former regime's secret police. Bright young officers were sent to top business schools in Europe and the US or to work in foreign trade companies which were often used as conduits for Communist party slush funds.

The BIS aimed to step up its industrial espionage activities through a network ranging from Liechtenstein, Austria and Switzerland to Silicon Valley in the US. These included the diversion of embargoed high technology equipment and information to the then east bloc.

Once communism collapsed, former BIS employees with a foreign education and contacts, and alleged access to the regime's foreign bank accounts, were in a prime position to go into private business.

The G-13's kingpin is Mr Ivan Pavlov, head of Multi-Group, considered the most powerful of the G-13 companies. A former professional wrestler, Mr Pavlov married the daughter of the head of military counter-intelligence and worked with deposed dictator Todor Zhivkov's son-in-law as an art dealer in the 1980s, before moving to Malta. There he traded scrap Soviet submarines with, he says, Turkish financing.

> The self-styled Group of 13's empire includes banks, insurance companies, stock exchanges, large trading and financial companies, real estate developments, television channels, and newspapers

Once back in Bulgaria he expanded into metal and oil trading, agro-businesses and providing security services. Multi-Group now employs 3,500 in 50 local companies including a bank, insurance company, the country's most active stock exchange and a sugar plant recently purchased from the state in one of the country's biggest privatisation deals to date.

Mr Pavlov is also believed to control nine casinos, seven in Bulgaria and two in Paraguay. Until recently, one of Multi-Group's "consultants" was Mr Emil Doynov, a former business associate of the late British publisher Robert Maxwell and brother of Oguyan Doynov, a senior communist-era minister. The Doynov brothers are widely held to be behind Multi-Group.

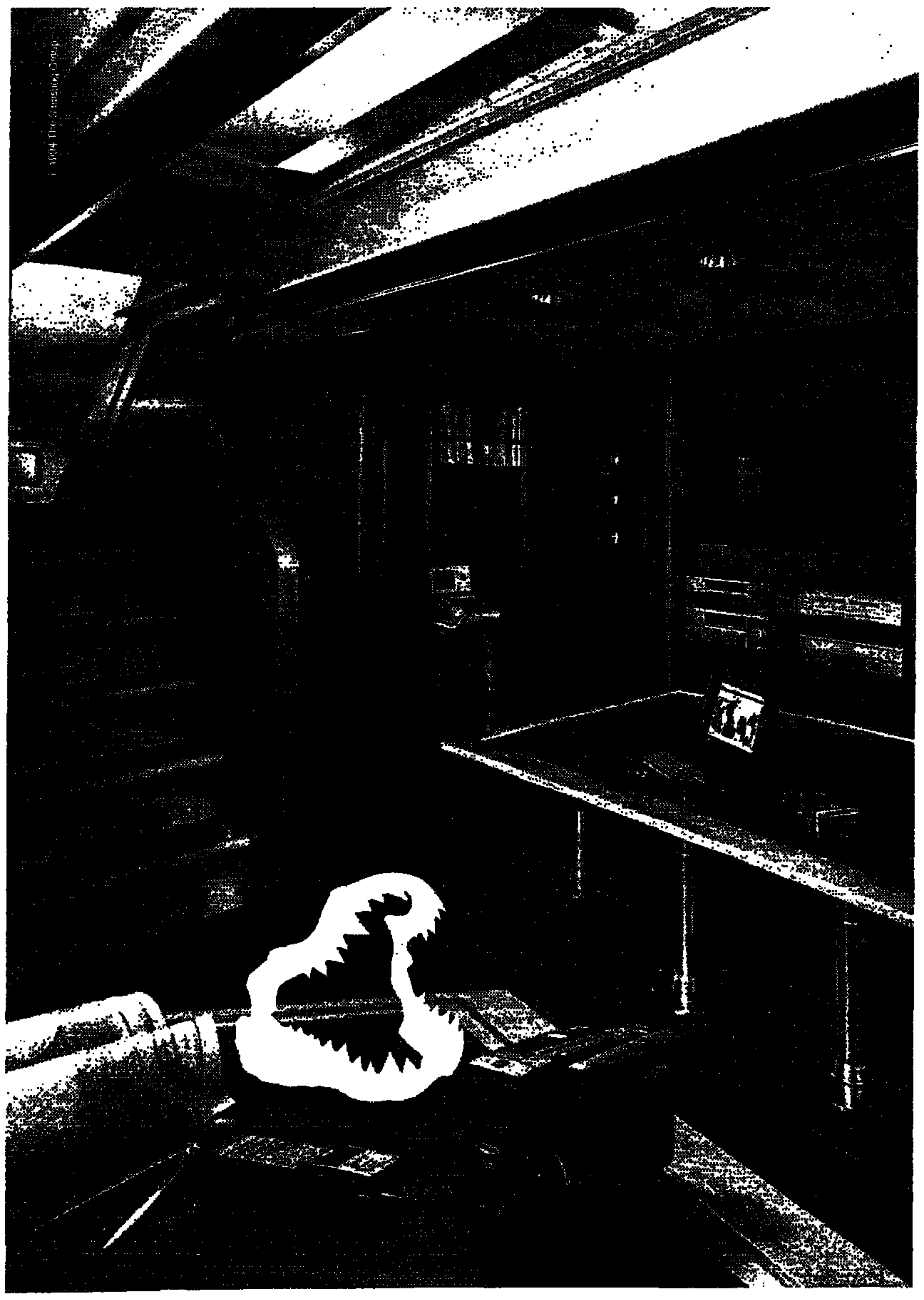
Many consider that Multi-Group and other similar G-13 companies operate on the fringes of the law, gaining positions through their contacts in political circles and in the state enterprise sector, which still accounts for 90 per cent of industrial production.

One well-used scam is for privately-owned trading companies to over-charge state companies for raw materials or buy products cheaply and sell them on with a big mark-up. Another common practice is for companies to operate through offshore subsidiaries to avoid local regulations and to qualify for tax and other benefits reserved for foreign investors.

The government is belatedly taking steps to crack down on fraud and to strengthen tax administration after a 50 per cent shortfall in expected revenues last year. However, Mr Dimitar Kostov, the deputy finance minister, says: "There are suggestions that not all the methods used by G-13 companies are legal. We do not have facts that they are avoiding tax. Rather, they are finding legally-based incentives."

He also denies that the G-13 are as powerful or as dangerous as they are made out to be. But many in business and diplomatic circles fear that their activities set a bad precedent in a country which is already lagging behind in implementing reform and where many are ambivalent about the transition to a market economy. There is also concern that G-13 companies, which, fearing foreign competition, have started a campaign to protect "national capital", are prepared to sabotage efforts by foreign companies to participate in privatisation or invest in Bulgaria.

A western banker in Sofia says: "These companies have the power to poison the scene, the ability to buy politicians. There is clearly a need for regulation before it is too late. Today these guys work in broad daylight; in five years' time it will be much more difficult to trace their tracks and connections."



Debts from troubled countries compel cut in lending for third year and tougher sanctions

Mounting arrears weigh on African bank

By Leslie Crawford, Africa Correspondent

Mounting arrears from borrowing countries and the need to make greater provisions against loan defaults reduced the African Development Bank's net income by 31 per cent last year to $112m.

The AfDB's financial results, presented yesterday at the bank's annual general meeting in Nairobi, are only marginally healthier than the sickly continent it was set up to help. Arrears owed to the bank and the African Development Fund, its soft loan arm, rose to $700m in 1993, against disbursed and outstanding loans of $8.4bn. Most of the arrears are chronic debts from broken countries such are Zaire, Liberia and Somalia.

Others are from AfDB members who are sinking deeper into poverty. Excluding South Africa, the continent's gross domestic product grew by only 1.4 per cent in 1993, less than half the rise in population.

To keep its international credit rating, the AfDB cut lending for the third year running and began to apply tougher sanctions against defaulters. As a result, Gabon and Kenya have brought their interest payments up to date, while the Cameroon, which is $95m in arrears, is negotiating an assistance package from the IMF and Paris Club which will allow it to clear its outstanding debts with the AfDB.

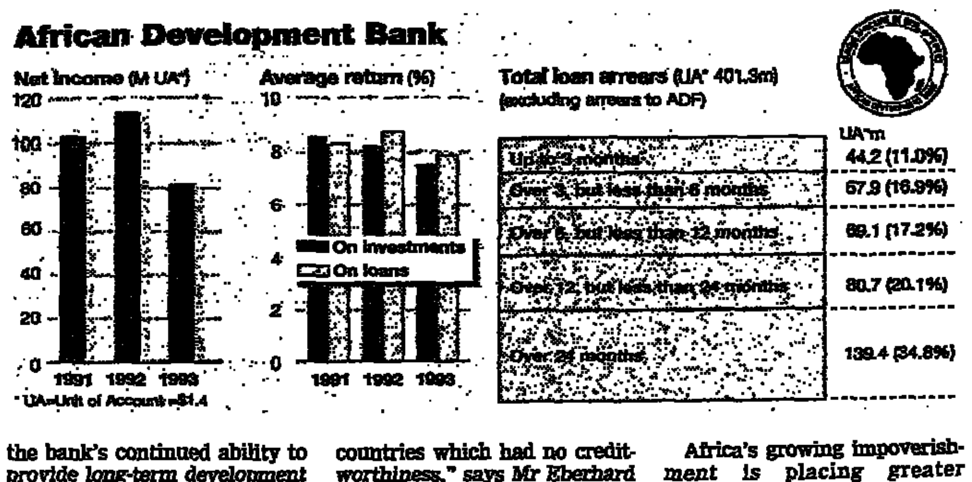
Bank governors say they are concerned with two main issues: how to deal with the mounting arrears and the serious managerial and policy shortcomings which plague the bank. In addition, some governors have begun to question the bank's continued ability to provide long-term development finance when most of its clients can no longer afford its commercial lending terms.

"The arrears have piled up in part because the bank continued to lend on hard terms to countries which had no creditworthiness," says Mr Eberhard Kurth, Germany's representative on the board of governors. "We are telling the bank that Germany's future support will depend on better lending policies and increased efficiency."

Africa's growing impoverishment is placing greater demands on the African Development Fund. But its coffers are empty. Industrial countries, which own one third of the AfDB and donate funds every three years to the bank's concessional window, are refusing to replenish the ADF until the bank streamlines its bureaucracy and tightens its lending policies.

Governors came to the Nairobi meeting armed with a damaging report of external consultants that depicted the bank as a top-heavy institution with little control over its lending projects. "We have had too many promises of reform in the past," Mr Kurth says. "This time we are seeking legal safeguards to tie the release of concessionary funds to improvements in the bank's governance and lending policies."

US Treasury officials say it is unlikely new funds will match the $3.4bn pledged three years' ago, despite Africa's increased need for concessionary finance. With luck, they believe donors might pledge $2bn soon.



Syrians turn to entrepreneurs for big returns

Frustration at the slow pace of economic reform is forcing investors into the private sector, writes James Whittington

Every month, thousands of Syrian investors make their way to the centre of Aleppo, the second largest city in Syria, to collect substantial dividends on their savings. They pass the empty and dilapidated state-owned Commercial Bank of Syria, and enter plush and computerised offices of Anas Trading Corporation, run by a private sector entrepreneur, Mr Mohammad Kallas.

There they receive a handsome yearly interest rate of between 30 and 40 per cent, paid in monthly instalments. Sums invested range from S£5,000 (about $108) to S£10m (about $217,400) and Mr Kallas has more than 4,000 individual investors on his books.

While the Syrian government talks limply about opening a Damascus stock exchange and reforming the banking system, Mr Kallas' thriving business is already fulfilling such services.

Few Syrians deposit their savings in the government banks. Although interest rates are between 5 and 12 per cent, annual inflation rates of over 15 per cent means they would lose in real terms. Since it is illegal to take local currency out of the country, ordinary Syrians frequently complain they have few places to put their money.

Mr Kallas says he has a capital of more than S£2bn from people of all walks of life. He explains that depositors' money is invested in the corporation's export-oriented industries, such as its clothes and cotton processing factories, fruit juice plants, and engineering shops.

The interest paid on accounts is based on profit-margins and while a provisional rate is paid each month, the final dividends are calculated at the end of each year.

Unlike a bank, however, there are no government guarantees against losses. There are no shareholder meetings, company reports, or regulations to protect investors from fraud. Aleppo remembers only too clearly a number of seemingly successful operations like Anas Trading which collapsed overnight in the late 1980s. And there are plenty of others offering the same kind of service as Mr Kallas who could go under anytime.

Thus, predictably, the market is ultra-sensitive to rumours. Mr Kallas recounts that two months ago, speculation that Anas Trading had gone bust spread through Aleppo like fire. In one morning, depositors demanded the return of S£60m which was paid the same day out of the export payments account and Mr Kallas' own pocket. Once people realised they could get their money back, however, most of it was re-deposited the next day, he says.

At the root of Mr Kallas' success is widespread frustration among Syrians at the slow pace of economic reforms. Liberalisation of the economy began in the 1980s, but the essential pillars of a command economy – a massive public sector, over-valued exchange rate, trade restrictions and foreign exchange controls – remain intact.

Although in many areas the private sector is doing well – benefiting especially from the Encouragement of Investment Law No 10 of 1991 which offers tax and import incentives – the regime remains cautious about relinquishing too much control.

Privatisation of state assets is firmly off the agenda. The government says it prefers to "reform" the banking system rather than open up to private and foreign banks, and the possibility of a Damascus stock exchange remains in the balance.

Mr Rateb Shallah, president of the Syrian Chambers of Commerce, argues that opening a stock exchange would not only ease the current liquidity problem but allow more people to invest in the private sector.

With over 950 projects approved under Law No 10 there is no shortage of private companies to enter a primary market. Mr Kallas says he would be the first formally to float his company. Furthermore, a bourse would provide the private sector with the kind of capital resources which domestic banks cannot.

The draft bill for a stock exchange has been ready since last year for presentation to the People's Assembly for approval. Problems of regulation and control are cited as the main sticking point. But until the government makes up its mind, individual investors will have no choice but risk trusting their money with the likes of Mr Kallas.

Palestinians await policemen's return

Julian Ozanne in Rafah watches preparations for a heroes' welcome

Thousands of Palestinians waving their national flag and singing traditional songs about the orange and olive groves in the land of Palestine lined roads to the Egyptian border yesterday and waited anxiously to give Palestinian policemen a heroes' welcome.

The arrival of the policemen, many of them former soldiers and veterans of wars with Israel, is seen by most Arabs as the first real change on the ground after the Palestinian self-rule agreement for Gaza and Jericho, signed in Cairo last week. For hundreds of people waiting in the midday heat yesterday, the arrival of the policemen marks the beginning of the end of 27 years of Israeli occupation.

More than 100 policemen were expected to cross the border before nightfall and take over a former army base in Deir al-Balah. Another contingent of 270 policemen is camped on the Jordanian border waiting to cross into Jericho, the future seat of the Palestinian administration.

Israeli police in Jericho yesterday loaded desks, filing cabinets and kitchenware on to a flatbed truck in preparation for handing over the police post.

Eventually the Palestinian police force will number 9,000, 7,000 of them from outside the occupied lands.

Donkey carts and cars draped with the Palestinian flag and pictures of Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, choked the road to the crossing.

Drivers honked their horns and children waited on sandy dunes for their first glimpse of their exiled countrymen's homecoming.

Near the crossing Palestinian men beat drums, women ululated and PLO activists chanted praises of Mr Arafat and Abu Jihad, the former PLO number two who is believed to have been assassinated by the Israelis.

As the policemen were delayed several hours in crossing the border terminal, frustration overtook the festival spirit and Israeli police and soldiers fired rubber bullets, percussion grenades and tear gas to push back unruly young men.

Throughout the afternoon soldiers chased excited youths through almond orchards and brought jeeps and a truck with two water cannons to clear the road which will carry the policemen, dressed in olive drab uniforms, into Gaza in a fleet of buses.

"The whole world is here watching you," shouted one marshal in a camouflage jacket. "People are going to judge us by how we behave here. This is a historic day for celebrating, not for throwing stones," PLO officials urged the crowd by loudspeaker.

But at least 10 Palestinians were wounded by Israeli soldiers in incidents across the Gaza Strip, despite the officials' efforts. Young people, who remain suspicious and hostile to Israel, clearly intend to taunt and harass departing Israeli soldiers who are set to evacuate the Strip within days.

In a sign of defiance one teenager yesterday set about bringing down a road sign in Hebrew with a hacksaw.

Israeli officials blamed the delay on PLO ill-preparedness and said they had wanted Mr Arafat to name his 24-member "cabinet" before allowing police into Gaza-Jericho. Palestinians said part of the delay was caused by difficulties airlifting policemen from conflict-torn Yemen.

Older Palestinians, however, were less impatient. "We have been waiting years for this happy day; a few more hours won't hurt," said Mr Abdel Malik el-Masri, 42, a farmer. "The policemen are our soldiers and they will bring us safety and security and end the occupation. Things will start to change."

An official Danish observer from the Temporary International Presence in Hebron, on the first day of a mission to promote security, holds a list of complaints from a Palestinian yesterday AP

Israel lifts rate by half point

By Julian Ozanne

Israel raised its prime interest rate 0.5 percentage points yesterday as the central bank continued to try to damp prices to meet this year's 8 per cent annual inflation target.

Mr Jacob Frenkel, governor of the Bank of Israel, sought to allay fears among Israeli manufacturers and Finance Ministry officials worried about the impact on sales and economic growth from interest rate rises.

"This is a moderate change," Mr Frenkel said.

Yesterday's increase, the second this year, raises the Bank of Israel lending rate to commercial banks from 10.5 to 11 per cent. Mr Frenkel said the adjustment was necessary to tighten monetary policy after the bank assessed that inflation was 10 per cent on an annualised basis

Mr Frenkel blamed housing prices, increasing at 20 per cent a year, for the government's problems with inflation. "Privatisation of government land and changing the designation of land to allow more residential building will help. But the policy is not yet fully implemented and the fight against inflation cannot wait."

He would "not hesitate" to increase interest rates further if necessary.

Laurie Connell found guilty of conspiracy

By Nikki Tait in Sydney

Mr Laurie Connell, the West Australian businessman and former head of Rothwells bank, which backed a number of the nation's "entrepreneurs" in the 1980s, was yesterday found guilty of conspiracy to pervert the course of justice.

The jury in the Perth district court acquitted Mr Connell of another count of conspiring to fix the 1983 Bunbury Cup, a regional horse race run about 140 miles south of Perth.

But they decided Mr Connell was behind payments worth more than A$500,000 (£238,000) to Mr Danny Hobby, the former jockey who was riding one of the favourites in the race but allegedly jumped from the saddle before the race ended. Mr Hobby left the country and the payments were supposedly made to him to stay out of Australia and the reach of police for nine years.

The verdict came after a 106-day trial, and evidence from more than 100 witnesses. The jury deliberated more than 35 hours over six days before reaching its verdict. Sentence will be passed tomorrow; the maximum penalty for the charge on which Mr Connell has been found guilty is seven years' jail.

Lawyers for the businessman said he would appeal, adding they believed the jury, which returned a unanimous decision, had reached a compromise to release themselves from further deliberation. "I have a suspicion in my mind that the jury had spent so long in deliberation that they had to find a way out," Mr Alec Shand, QC, acting for Mr Connell, said.

Mr Connell, now 48, is the son of an Irish bus driver and the great-grandson of West Australia's longest-serving police commissioner. He became a prominent figure in the 1980s, when he was an important business contact of Mr Brian Burke, then Western Australia's Labor premier, and a close associate of Mr Alan Bond, the Perth-based former tycoon.

In its heyday, Rothwells, Mr Connell's merchant bank, presented itself as an aggressive financial institution. He became known as "Last-Resort Laurie" for taking on clients others were reluctant to deal with.

But the bank proved heavily borrowed and ran into difficulties immediately after the 1987 stock market crash. Mr Bond tried to organise a rescue package, with backing from businessmen such as Mr Kerry Packer, Mr Robert Holmes à Court, Mr John Elliott, and Mr Brian Yuill. But the effort was doomed and Rothwells was liquidated in 1988. Five years ago, Mr Connell was charged with a series of Rothwells-related matters, due to be heard in a Perth court later this year.

Mr Connell won fame for making the biggest bet in Australasian history, winning A$3m after backing the winners in the Melbourne and Caulfield Cups.

Australia boosts business immigrants

By Nikki Tait in Sydney

Australia is significantly to broaden its business immigration programme, in the hope of attracting wealthier individuals prepared to invest in the country.

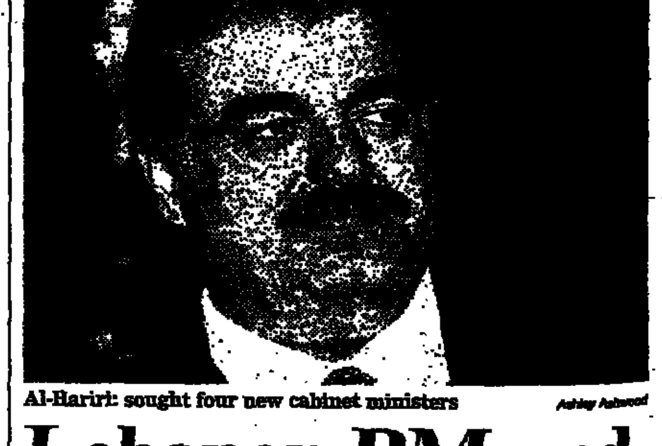
Individuals will be asked to make a three-year investment of at least A$750,000 (£357,000), to be placed in government securities, although applicants will still have to demonstrate "business or investment achievement" and pass a points test, in which age and English language ability will be examined.

Temporary residents who have "a record of substantial financial commitment to their own business in Australia, and who have been actively involved in its operation and management for at least one year, will have the opportunity to remain in Australia permanently from 1995," for example.

The new class was designed for business people who did not want to commit themselves immediately to hands-on business activity in Australia as previous rules had stipulated, Mr Nick Bolkus, immigration minister, said.

Immigration levels have been the subject of heated debate in Australia. One school of thought argues that the additional supply of labour is detrimental when the country is facing double-digit levels of unemployment. However, a number of academic studies have suggested the additional demand within the economy tends to offset this negative factor.

Yesterday, the opposition attacked the business skills changes as questionable. "This is nothing more than a buy-a-visa scheme to enable the government to fund its budget deficit," Senator Jim Short said. Total number of permitted immigrants will rise by 10,000 to 86,000 for 1993-94.



Al-Hariri: sought four new cabinet ministers Ashley Ashwood

Lebanon PM and president disagree

Lebanese Prime Minister Rafik al-Hariri and President Elias Hrawi locked horns yesterday over a planned government reshuffle, Reuter reports from Beirut.

The billionaire prime minister put off all appointments, stayed at home and cancelled tomorrow's regular cabinet meeting; emerging only to greet hundreds of supporters who flocked to his Beirut residence in a show of solidarity.

The two men agreed last week during a visit to Syria, the main foreign power broker in Lebanon, to strengthen Christian representation in the cabinet but have since disagreed over the extent of the reshuffle and the new names to be brought in.

Relations between the Syrian-backed government and the once-dominant Christian minority have been tense in recent weeks and the proposed changes appeared an attempt to improve them by bringing in more representative Christian politicians.

Political observers said Mr Hariri wanted to bring four new ministers into the 30-member cabinet – two heavyweight Maronite Christian politicians representing influential Christian political parties, a Sunni Moslem and a Shi'ite Moslem.

He also wanted to swap several portfolios, including interior, defence and information, among the present ministers. The observers said Mr Hrawi objected to the names Mr Hariri was proposing. He was pressing for a broader reshuffle amounting to a change in government that would reduce the strength of Mr Hariri's supporters in the cabinet while increasing the Christian representation.

Complicating the dispute, parliament Speaker Nabih Berri rejected Mr Hariri's suggestions and insisted that a Shi'ite should be named finance minister.

Mr Hariri, a Sunni Moslem, currently holds the finance portfolio with Sunni Moslem Fouad Siniora, a close aide, as minister of state for finance.

Memory fails Bond in asset hearings

Nikki Tait on the court questioning of a bankrupt Australian tycoon

For the past week Alan Bond has sat in a packed Sydney courtroom facing a barrage of questions about the whereabouts of his former assets. The questions have come from the former tycoon's bankruptcy trustee, appointed by the court to act on behalf of his creditors, and from the liquidator of Dallhold Investments, Mr Bond's privately-owned investment holding company.

These are the hearings which the Perth-based entrepreneur had long sought to avoid, saying that illness, depression and brain damage resulting from open-heart surgery rendered him unfit to take the stand. Now that he is under oath in the witness-box in terms of Australia's bankruptcy procedures, his performance has ranged from that of a sorrowful amnesiac to a feisty barracker.

Starting with a one-man painting company, Mr Bond built an international media, brewing and property business led by Bond Corporation Holdings, a quoted flagship with assets of about A$10bn (£4.8bn).

It all began to fall apart with the stock market crash of 1987 and ended in bankruptcy in 1992 with debts and contingent liabilities of more than A$700m.

The main contention of Mr Francis Douglas QC, acting for the bankruptcy trustee, is that a series of companies or trusts were set up in the Channel Islands during the 1970s and 1980s to hold Mr Bond's personal assets, but that these were never declared in the statement of affairs when Mr Bond went bankrupt in 1992. The names of the entities included Kirk Holdings, Icarus Trust, Engetal, Piaonla, Bittern, Lindsay Trading, and Panamanian-registered Juno Equities, which supposedly operates out of Switzerland.

According to the trustee, Kirk Holdings was used to buy property in the UK, paintings from Neville Keating Pictures, art consultants of London, shares (including shares in Bond Corporation) and horses for Mr Bond's daughter, Suzanne. According to Mr Douglas, it eventually became too well-known as a "Bond company" after Suzanne's divorce proceedings in 1987 and was wound up, its assets being transferred to Juno.

Mr Douglas has produced enough paper work to suggest that Kirk Holdings was dealing in large sums. In late 1986, for example, Kirk allegedly instructed Touche Ross's Jersey office, via Allied Irish Bank, to transfer US$2.75m (£1.86m) to Mr Bond's account at Arbuthnot Latham, the London merchant bank. In early 1987, $541,700 went to James Capel, to buy shares on behalf of Kirk, Mr Douglas said.

Bond: few recollections

The trustee's problem is that Mr Bond says he cannot recall anything about most of these entities. He cannot remember Touche Ross in Jersey, which organised and administered the offshore companies. He thinks he might have been to Jersey once, but only to the airport, to sign some papers.

Where evidence to the contrary has been presented – for example, bank payments or letters signed by Mr Bond – he has modified his response. Without admitting any knowledge of the Channel Islands vehicles, he has tended to suggest that they must have been related to other entities in the complex Bond group.

When Mr Douglas produced a deposition (the result of a question-and-answer session with lawyers) from Mr Geoff Davies, in which the Touche Ross partner said that he believed Kirk was for the ultimate benefit of Mr Bond, his wife and his family, Mr Bond said simply that he had never dealt with Mr Davies.

Mr Bond has also insisted that certain assets which the bankruptcy trustee believes were the former tycoon's, belong (or belonged) to Mr Jurg Bollag. Mr Bollag, Mr Bond acknowledges, is a Swiss businessman and friend, who was one of the four people permitted to give instructions to Touche Ross on Mr Bond's behalf. He has also helped pay Mr Bond's legal fees.

Included in the Bollag category of assets was a house in Chelsea, in which Mr Bond's son lived for several years, and which was sold last year for £610,000, and a London apartment sub-leased to Diana Bliss, Mr Bond's former girlfriend.

Mr Douglas asked. "Was there any reason why Diana Bliss should be able to persuade Mr Bollag to buy and sub-lease" a property? "I don't recall. I don't think we were seeing each other at the time. She met Mr Bollag separately," Mr Bond replied.

But while the hearings have constituted a public forum for the discovery work done by the trustee, and will, perhaps, persuade creditors that efforts are still being made on their behalf, what happens now is not clear.

Pursuit of more information, via Mr Bollag in Switzerland, is a possibility and a task which the trustee has begun. But it will be time-consuming. And even if the trustee's suppositions are correct, there is little guarantee that assets will be sitting in a Swiss bank waiting to be returned.

Meanwhile, hearings on behalf of the liquidator of Dallhold, which began late yesterday morning were adjourned after Mr Bond reported dizzy spells and pains in the chest.

Healthcare reform hits congressional troubles

By George Graham in Washington

President Bill Clinton's proposal to require employers to provide health insurance for their workers, one of the central elements of his healthcare reform plan, is running into difficulties in Congress.

Congressional committees working on healthcare legislation are baulking at the employer mandate, which is opposed by Republicans and centre-right Democrats who fear the financial burden it would place on smaller businesses.

Congressman John Dingell, chairman of the House of Representatives energy and commerce committee, remains a few votes short of persuading a majority of his committee to accept the employer mandate.

Congressman Dan Rostenkowski, chairman of the House ways and means committee, also appears not to have a majority for the employer mandate, though he has warned his members that the alternative, if a comprehensive reform is to be financed, would be a broadly-based tax increase.

In the Senate, meanwhile, Democratic Senator David Boren has signed up with the rival plan produced by Republican Senator John Chafee, which would place the obligation on the individual to secure health insurance, rather than on the employer to provide it.

That could mean that the Senate finance committee, of which Mr Boren is a member, ends up using the Chafee plan as the basis for its legislative drafting, rather than Mr Clinton's proposal.

The Chafee plan would impose a fine on anyone who did not have health coverage by 2005, just as motorists are now required to obtain car insurance. It would also, like the Clinton plan, prohibit insurance companies from refusing to cover someone because of their health, or from charging them more, and would offer vouchers to help those with low incomes pay for insurance.

It would thus in theory meet the goal of guaranteed, universal coverage that Mr Clinton has said is his only unnegotiable demand.

In practice, however, it would leave the government with a large bill if adequate subsidies are to be given to those who cannot afford health insurance premiums.

The advantage to the government of the employer mandate would be to leave intact the current system, in which most people already get their health benefits from their employers, while shifting most of the cost of covering the uninsured on to employers who do not now provide health benefits.

Narrow presidential win in Panama for ex-banker

By Edward Orlebar in Panama City

A millionaire businessman from a discredited party which was the political instrument of two military dictators has won a narrow victory in the Panamanian presidential election, considered the country's cleanest for a quarter of a century.

Mr Ernesto Pérez Balladares, 47, of the Democratic Revolutionary party, won 33 per cent of the vote on Sunday, four points clear of Mrs Mireya Moscoso de Gruber, of the governing Arnulfista party.

In third place was Mr Rubén Blades, a salsa singer and Hollywood actor with a Harvard law degree, who had been expected to come second.

Mr Pérez Balladares's victory confirms the remarkable resurrection of the PRD, which was thrown out of power by the US invasion at the end of 1989 to oust the strongman General Manuel Noriega.

Party officials who went into hiding or were arrested by the invaders will return to government. Gen Noriega himself is serving a 40-year sentence in the US for drugs offences.

"Now we will begin to build together the future of the nation, without party political differences," Mr Pérez Balladares declared in a victory speech on Sunday night. In Congress, the PRD is expected to fall well short of a majority after the congressional election on Sunday.

In his campaign, he played on memories of the party's founder, the late Gen Omar Torrijos, who is fondly recalled by many poor Panamanians for his populist social policies and for negotiating a 1977 treaty with the US for Panama to take back the Panama Canal.

The victor promised to create jobs and increase social spending to alleviate conditions for the poor. But the bulky former banker with Citibank has said he would honour Panama's foreign debt obligations, maintain tight fiscal policies, and attempt to attract foreign investment so as to improve infrastructure.

His government, which is to take office on September 1, will oversee the handover from the US, by 2000, of 34,000 hectares of prime real estate in the Canal Zone. It is unclear what it plans to do with the area, estimated to be worth several times Panama's GDP of $2.4bn (£1.6bn).

Many analysts speak well of Mr Pérez Balladares but the prospect of the return to government of certain characters, known as the "herd", has raised concern. "All those nasty creatures are going to come out of the woodwork and ask for a place in the sun," said Mr Victor Bulmer-Thomas, director of London University's Institute of Latin American Studies, who was observing the election.

Clinton fails to still Haiti fears

By Jurek Martin in Washington and Canute James in Kingston

President Bill Clinton's weekend change of policy on Haiti has brought some immediate respite from domestic criticism, but fresh comments yesterday by a senior White House adviser on the number of refugees who might be admitted to the US threatened to reignite controversy.

Mr Sandy Berger, deputy national security adviser, said that only 5 per cent of about 1,300 Haitians recently intercepted on the high seas have qualified for political asylum. "That is not a very high number," he added, in an apparent attempt to calm fears in Florida of a new influx of refugees.

But this was immediately disputed by Governor Lawton Chiles of Florida, and Democratic Senator Bob Graham, who predicted a new wave of 5,000-10,000 potential immigrants each month in the immediate future. Florida has already sued the federal government to recover some of the costs of sustaining the wave of immigrants, mostly from Haiti and Cuba.

The new Clinton policy, outlined on Sunday, has two main elements: First, the temporary appointment of former Congressman Bill Gray, a respected black politician, as special envoy to Haiti, succeeding Mr Lawrence Pezzullo, who had been criticised for being too soft on the military junta. Mr Gray, it is hoped, will blunt some attacks from the congressional black caucus that US policy towards Haiti has been quasi-racist.

Second, the US is to provide asylum processing facilities on its ships and, it is hoped, in third countries in the Caribbean, rather than sending all boat people back to Haiti for hearings on the island. The new procedures, involving larger naval vessels, will not be in place for some weeks, however.

A Haitian refugee child is rescued by the US Coast Guard Reuter

Several prominent critics of US policy, including the exiled Haitian President Jean-Bertrand Aristide and Mr Randall Robinson, a Washington-based activist, described the new moves as "steps in the right direction". Last week, the UN security council, at US request, imposed tougher economic sanctions on Haiti.

Over the weekend, Mr Robinson ended a 27-day hunger strike over the forcible US return of boat people. But, in interviews yesterday, he remained sceptical that on-board asylum hearings could meet "internationally recognised standards" for refugee processing.

He continued to favour a "constructive" military intervention under UN or Organisation of American States auspices but, he said, "it shouldn't be a force whose sole purpose is to knock down the Haitian military".

Meanwhile, Haiti's military leaders have dismissed the UN plan to tighten economic sanctions. Having survived previous sanctions, army leaders are increasingly confident they will survive the new UN measures, and are encouraged by what they see as waning support for Father Aristide, diplomats in Port-au-Prince said yesterday.

The UN will impose tougher sanctions on Haiti on May 21 unless the military hands over power to Mr Aristide by then. The army leaders, who have refused to honour earlier agreements for Fr Aristide's return, feel the US and other countries advocating tougher sanctions will lose heart if the new measures do not work, and will end their support for the exiled president.

The military rulers' apparent confidence in riding out sanctions is also based on the uncertain situation at Haiti's border with the Dominican Republic, which has been a loophole in earlier efforts to impose an economic blockade.

Despite repeated public commitments to increase military patrols at the border to curb smuggling, mainly of fuel, President Joaquin Balaguer of the Dominican Republic is against tougher sanctions.

Mr Balaguer, who is opposed to Fr Aristide's return, is facing a close election in a week and is unlikely to take measures, such as sealing the border, which would also ruffle the military officers who are benefiting from smuggling.

Strikers win above-inflation pay accord in Bolivia

Bolivia's trade union confederation emerged strengthened at the weekend after a 23-day public sector strike which forced the government of President Gonzalo Sánchez de Lozada to concede above-inflation pay increases, **John Barham** reports from Buenos Aires.

The COB labour confederation mobilised Bolivia's largest protest movement in recent years and won pay rises of 6-12 per cent for public sector employees. Even so, public sector wages remain very low. Teachers, for instance, earn the equivalent of $90-$200 (£60-£134) a month.

Bolivia's unions hold strikes almost every year as the government prepares its annual budget and negotiates a new minimum wage. The strikes this year were very bitter. Protesters blocked roads in the interior of the country and demonstrated often in the capital, La Paz. Union leaders, headed by three women from the teachers' union, went on hunger strike. Security forces broke into COB headquarters to take them to hospital for force-feeding.

Mr Sánchez de Lozada, a US-educated millionaire businessman, was elected last year and is committed to continue Bolivia's market-oriented reforms, which he began as planning minister in 1985.

Brazil names day for new currency

By Angus Foster in São Paulo

Brazil will introduce a new currency, its fifth since 1986, on July 1 as the final step of the government's latest effort to tackle inflation, now near 50 per cent a month.

President Itamar Franco yesterday confirmed the date for the switch to the new currency, the real. However, several important details – for example, future policy on the real's exchange rate with the US dollar – will not be announced until next month.

Mr Rubens Ricupero, the new finance minister, said final decisions on monetary and exchange rate policy were still being finalised. It is expected the real will initially be backed by Brazil's more than $30bn (£20bn) of foreign exchange reserves.

Mr Ricupero said he and Mr Pedro Malan, central bank chairman, would also examine how state and federal banks would be affected by the introduction of the real. Several such banks rely on profits from high inflation to remain solvent. There are fears that, before presidential and congressional elections in October, the government will have to support these banks and thus put tight monetary policy at risk.

The confirmation of the advent of the real provided a welcome lift for Mr Fernando Henrique Cardoso, who resigned as finance minister in March to run for the presidency. The success of the anti-inflation plan, which he negotiated, is seen as very important to his campaign.

Opinion polls late last week show Mr Cardoso's support at 15 per cent, down nearly five percentage points in the last month, against about 40 per cent for Mr Luis Inácio Lula da Silva of the left-of-centre Workers' Party. Mr Cardoso has been damaged by bickering with his election allies, the right-wing Liberal Front, and by the choice as running-mate of a lesser known senator, Mr Guilherme Palmeira.

Hungary takes bulk of foreign investment

By Frances Williams in Geneva

Hungary is much the most successful eastern European country in attracting foreign direct investment, accounting for a third of the $18.3bn (£12.3bn) total at the beginning of this year.

More than $10bn, or over 55 per cent, went to just three countries – Hungary, the Czech Republic and Poland – according to the United Nations Economic Commission for Europe* (ECE).

The figures relate to the foreign component of paid-up capital, and do not include sums committed but not yet invested.

The bulk of foreign capital in the region comes from western Europe, which accounts for about 77 per cent of overseas investment in Hungary and 92 per cent in Slovenia. Just over half the total has been invested in the manufacturing sector.

The ECE says only Hungary has managed to attract substantial foreign investment into the important financial services sector, where it accounts for 11 per cent of all international investment in the country.

Over 17 per cent of all Hungarian enterprises now have a foreign capital component, giving overseas investors a big role in the economy. By way of contrast, foreign-owned enterprises in the Commonwealth of Independent States account for a tiny 0.2 per cent of total employment.

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Brussels under fire over rum quotas

By Canute James in Kingston

European rum importers have been cancelling orders from Caribbean suppliers because the current import quota will soon be filled according to Caribbean exporters.

The European rum market faces two months of dislocation because the European Union has refused to increase the quota to meet growing demand for the product, producers say.

The exporters have failed several times to have the European Commission increase the quota of 224,000 hectolitres by 25,000hl to meet demand in Europe. The quota year expires in June.

An increase in the rum quota is not a priority for the Commission, Mr Philippe Soubestre, deputy director general for development, said in Barbados. He said it was paying more attention to the EU's political problems.

Conditions for access to the European rum market come in a protocol of the Lomé Convention, a trade and aid treaty between the EU and the African, Caribbean and Pacific Group of countries. Rum producers have criticised the EU for being slow to honour commitments to react automatically by raising access for rum to meet a growing demand.

"This is a disgraceful situation," a leading producer said yesterday. "There is paranoia in Europe over this matter. No one wants to upset the French, who are leading the campaign against an increase in quota to protect their domestic producers in their Caribbean departments. The EU is reneging on a solemn commitment and will renege on other commitments."

India aims for sharp growth in exports

By Stefan Wagstyl in New Delhi

India is planning to set a target of 24-25 per cent for export growth in the financial year which started last month, Mr Pranab Mukherjee, Indian commerce minister, said yesterday.

Mr Mukherjee hoped exports would rise to $26bn-$27bn (£17.4bn-£18.1bn), from $22.2bn in 1993-94, when they rose 20.4 per cent.

The Commerce Ministry is looking to rapid increases to make up for the ground lost in the early 1990s when export growth was hit by a collapse in sales to the former Soviet Union, once India's biggest market. Also, economic reforms launched in 1991, which include incentives for exporters, have taken time to have effect.

Even though exports are growing fast, Mr Mukherjee's target is ambitious. Finance Ministry projections suggest exports may in fact grow by about 15 per cent.

Mr Mukherjee said he expected further growth from industries which were already contributing to exports – textiles, computer software, motor vehicle parts, engineering, agricultural goods, gems and jewellery and leather.

He also forecast an import rise, after growth of only 6.8 per cent last year to $22.1bn. There was a sharp pick-up in March when imports were 62 per cent higher than in March 1993. Mr Mukherjee said that, with signs of industry recovering after three years of stagnation, imports could grow by 11-12 per cent in dollar terms. Imports of machinery and of industrial raw materials would account for much of the growth.

Mr Mukherjee said the recent signing of the Uruguay Round accord of the General Agreement on Tariffs and Trade would benefit India and other developing country exporters by opening up markets in industrialised nations.

US delays patent move over Argentina

By John Barham in Buenos Aires

Washington has postponed for 60 days its threat to start proceedings against Argentina for its failure to enact new laws for the protection of intellectual property.

Mr Mickey Kantor, US trade representative, said last month he would investigate damage to US companies in Argentina caused by inadequate patent laws.

The investigation could then have led to the imposition of trade sanctions.

Pharmaceutical companies are said to be the most affected. Estimates of damage vary between $500m (£335m) and $900m a year. The Argentine drugs market has grown rapidly in the last three years, with annual sales of $3bn.

However, the US embassy in Buenos Aires has said the postponement was a "positive gesture which, the United States hopes, will give Argentina sufficient time to pass adequate and effective patent reform legislation".

The US has been in the forefront of developed country pressure on Argentina to introduce new patent laws. The government introduced legislation into Congress three years ago to upgrade the current 1864 law, but the bill has made little progress.

Local laboratories, together with the nationalist wings of both the governing Peronist partyand the opposition Radical party, have obstructed debate.

US and European multinational companies complain that the government has been giving the bill a low priority.

However, both President Carlos Menem and Mr Domingo Cavallo, economy minister, have said they would press the Congress to pass the bill as soon as possible. Mr Cavallo said this was "not due to US pressure, but because it is necessary to attract investments" to Argentina.

Cavallo (left) and Kantor want Argentine intellectual property law updated Photos: Glyn Genin/Ashley Ashwood

Programme to increase tourist arrivals

By Shiraz Sidhva in New Delhi

The Indian government has launched a tourism promotion programme to increase the number of foreign visitors from 1.76m to 5m over three years.

A calmer political climate and further opening up of the economy have led to an increase in tourist arrivals, to 1.76m from 1.5m the previous year. Foreign exchange earnings from tourism increased by 14 per cent to $1.47bn for 1993-94, according to figures published by the Ministry of Tourism and Civil Aviation.

Mr Ghulam Nabi Azad, tourism minister, said Bombay airport, the country's prime entry point, alone handled 164,000 domestic and international flights, an increase of more than 150 per cent in a decade. Liberalisation of domestic routes last year helped ease both congestion and non-availability of seats on flights within the country.

Tourism is India's third-largest foreign exchange earner, and has more of a range of destinations to offer than most countries in the world. But the country accounts for 0.2 per cent of international tourism, largely because of inadequate infrastructure.

Officials in the Tourism Ministry say a big constraint is the lack of middle-level hotels in the country. "The choice we offer the foreign tourist is limited," said a senior official. The foreign tourist must choose between expensive five-star comfort or small hotels that cater to backpackers and lack the most basic of amenities. "Our plan is to offer something to the tourist between the very wealthy ones and the business travellers, and those who have very little money to spend."

Foreign hotel chains are enthusiastic about the more relaxed investment rules after liberalisation (the hotel industry has always been dominated by private companies), and are flocking to India with joint ventures. The government estimates that foreign investment is worth at least $250m (£168m) in the hotel industry.

The Australian Southern Pacific hotels plans to start a series of three-star travel lodges in main cities. The Oberoi group is linking with Accor of France to start a network of motels across the country. Kamats, a chain of south Indian restaurants, is linking with the Japanese Dai Ici and Pearl Hotels, to offer budget accommodation at Buddhist pilgrimage destinations.

The Indian Taj Group, which operates some of India's finest hotels, plans a 350-room hotel in Bombay to supplement its famous Taj Mahal, and a series of Club Med resorts in association with the French company.

And a group of non-resident Indians has got together with the Irish company, Deltic Management, to build a Rs8.7bn (£186m) 600-room floating luxury hotel in Bombay.

Australia assails US trade barriers

Australia's trade deficit with the US is widening because of import barriers Washington has erected to protect its own producers, the Australian government said in a report published yesterday , Reuter reports from Canberra

The deficit was now proportionally bigger than the US trade deficit with Japan, according to the report by the Australian Department of Foreign Affairs and Trade. "The fact that a number of major Australian exports are subject to stringent US import controls has contributed to the growing imbalance in trade," it said.

The report said there were long-standing concerns over access to the US market, particularly for such key Australian agricultural products, as beef, dairy products and sugar.

It said there were also concerns over the impact of US farm export subsidies on Australian exports to third countries, particularly of wheat, barley, malt and dairy products.

In the year to June 30, 1993 Australian exports to the US were worth A$4.92bn (£2.36bn) while imports from the US were worth A$13.01bn.

Australia's resulting trade deficit of A$8.09bn with the US is its highest deficit with any one country.

"It is also larger, proportionally, than the US trade deficit with Japan," the departmental report said.

The implementation of the North American Free Trade Agreement (Nafta) had not raised specific barriers against Australian imports, but had increased the potential for trade diversion through origin rules and tariff harmonisation tactics, the report said.

The report did not specify what Australia would do to push the US to remove its barriers.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits, for May 15 to June 14 1994 (April 15 1993 to May 14 1994 in brackets).

D-Mark	7.12 (6.89)
Ecu	7.24 (6.95)
French franc	7.35 (7.14)
Guilder	
up to 5 years	6.95 (6.85)
5 to 8.5 years	7.45 (7.25)
more than 8.5 years	8.10 (7.90)
Italian lira	N.A (9.03)
Yen	4.20 (4.20)
Peseta	9.72 (9.57)
Sterling	8.51 (7.83)
Swiss franc	5.76 (5.51)
US dollar for credits	
up to 5 years	6.99 (6.40)
5 to 8.5 years	7.52 (6.94)
more than 8.5 years	7.80 (7.28)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from January 15 to July 14 1994, the SDR-based rate will be 5.55 per cent. It replaces the previous rate of 6.65 per cent. The SDR-based rate will again change on July 15 1994.

Tory turmoil over referendum on Europe

By Kevin Brown and Philip Stephens

The Conservative party was in turmoil last night as Mr John Major fought a rearguard battle against intense pressure for a referendum on the next steps towards European integration.

Amid a frantic round of factional meetings at Westminster, Downing Street insisted that the prime minister remained opposed to a referendum, but refused to rule out the idea.

Officials said there had been "huge exaggeration and tremendous hyperbole" in reports of divisions between cabinet ministers on the merits of a referendum.

However, senior ministers said Mr Major must end the impression of disarray by making the government's position clear at prime minister's question time in the Commons today.

The prime minister is expected to consult senior colleagues before taking a final decision on how to respond to growing pressure for a referendum from backbench MPs.

Leading members of the 1922 committee of Conservative MPs said that the promise of a referendum in advance of any further integration was now the only way to unify the party.

The idea was also being pressed energetically by leading members of the right-wing Euro-sceptic 92 group of MPs. However, the smaller Positive Europe group decided to oppose a referendum in most circumstances.

Friends of the prime minister said that a referendum would be fraught with political dangers for Mr Major because of his repeated insistence in the Maastricht debates that only parliament was competent to decide the issue.

The Conservative party opposed both the referenda called by Labour - on Europe in 1975 and on Scottish and Welsh parliaments in 1978 - on constitutional grounds.

Senior cabinet ministers such as Mr Kenneth Clarke, chancellor of the exchequer, and Mr Douglas Hurd, foreign secretary, continue to argue that it would be wrong for the Conservative party to call a referendum.

Mr Major also has to decide whether the offer of a referendum would appease the Euro-sceptics sufficiently to paper over the split until the vote.

One leading Euro-sceptic said that the offer of a referendum would immediately be followed by campaigning to ensure that the result "tied the government's" hands in the IGC negotiations.

There was disagreement about the impact of a referendum on the campaign for the European elections. Mr David Hunt, employment secretary, said there was no point in "trying to take people's minds away from the critical European elections."

Mr Hunt's comments reflected deep unease about a pledge by Mr Paddy Ashdown, the Liberal Democrat leader, that his party would support a referendum on the outcome of the 1996 intergovernmental conference.

The announcement was seen as a significant blow to the Conservative campaign for the European elections because it will weaken the party's attempts to portray the Liberal Democrats as in thrall to Brussels.

Mr John Smith, opposition Labour party leader, sought to avoid the issue yesterday by claiming that the outcome of the EU's 1996 intergovernmental conference – the next review of the union's institutions – was too far ahead to require a decision now.

Gas proposals stress restraint on price rises

By Robert Corzine, Deborah Hargreaves and James Blitz

The government yesterday published its long-delayed gas industry consultation paper outlining how full competition will be introduced to 18m households by 1998.

The report, prepared jointly by the industry regulator Ofgas and the Department of Trade and Industry, went to some lengths to allay fears about possible price increases, saying price pressures which might emerge in the transition to full competition could be limited by regulation.

The standing charge which household consumers pay will remain under a capped formula at least until 1997. In addition British Gas tariffs are not expected to "increase by more than the rate of inflation" in the transition period between April 1996, when 5 per cent of the market will be opened to competition, and the full market opening two years later.

The report conceded, however, that regional prices could vary by plus or minus 2 to 4 per cent because of different transport costs.

Independent gas suppliers eager to take on British Gas in its most lucrative market sector expressed disappointment that the document did not go further in explaining how competition will be achieved.

"For all the agonising that's gone into it, it's a bit thin. It addresses the major issues but doesn't sketch out in any detail what the public gas supply licence might look like," said Mr John Astrop, commercial director at Kinetica, a joint venture between Conoco and PowerGen.

The independent companies are keen to see the follow-up report to be published shortly by Ofgas which will contain details of the costs to be charged for using British Gas's pipelines system.

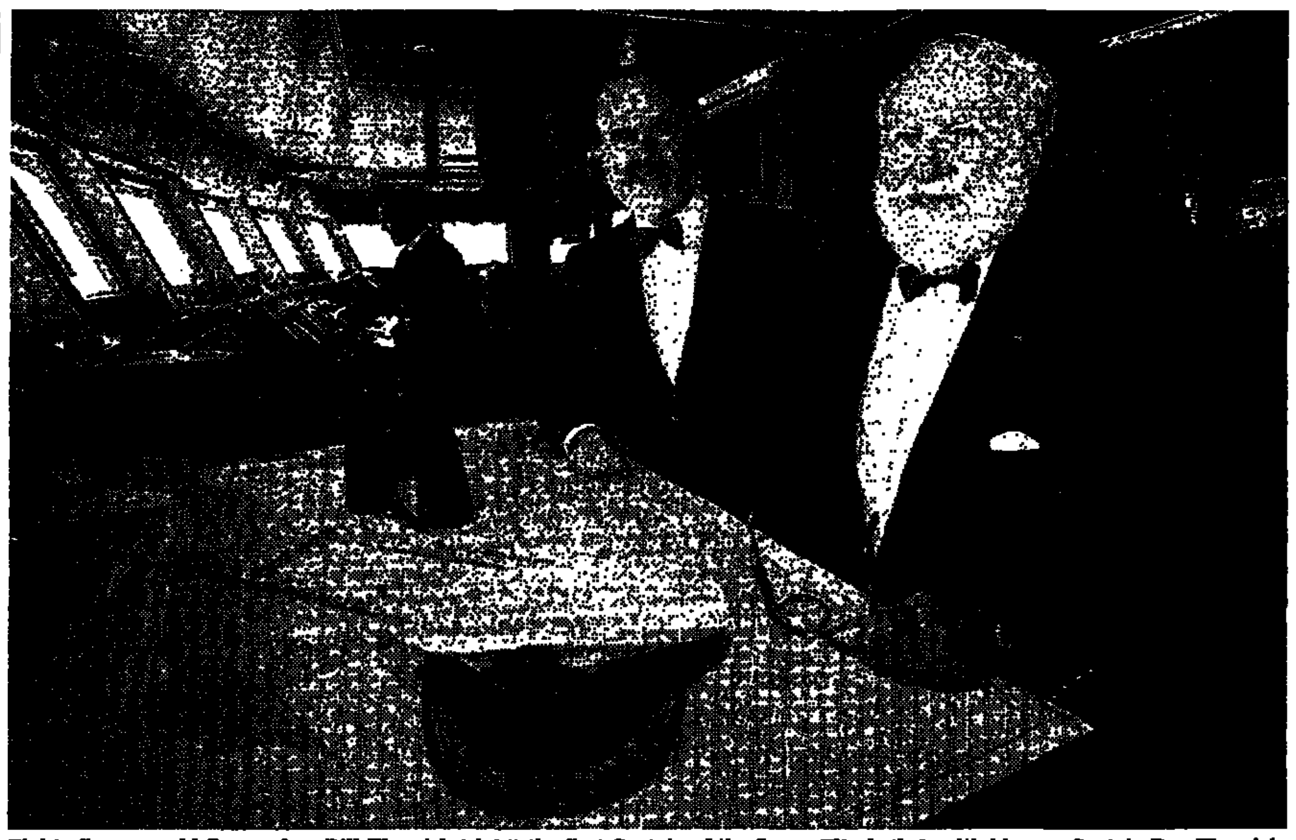
Mr Cedric Brown, British Gas chief executive, welcomed the recommendation that "the industry as a whole.. should underpin the special needs of the more vulnerable groups in society." But he warned "time is short" to implement the government's programme, the scale of which has "never before [been] attempted anywhere in the world."

British Gas shares yesterday closed at 285p, up 1½p.

The document was originally due to be published in February. Mr Tim Eggar, energy minister, said yesterday he would make "no apology" for the delay.

Government critics had charged that the document was being held up for political reasons, and implementation of the deregulation proposals would lead to sharp price rises for less well-off consumers. Mr Eggar dismissed such claims as "rubbish", and said the document formed the "framework for delivering the benefits of competition" to all consumers.

But Ms Claire Spottiswoode, director general of Ofgas, said it was impossible to "guarantee that prices won't rise." She said she was confident that deregulation would deliver benefits across a broad range of consumers, and not just to those which consume large amounts of gas.



Eighty-five year old Commodore Bill Warwick (right) the first Captain of the Queen Elizabeth 2, with his son, Captain Ron Warwick, who took command of the liner in 1990, on the bridge at the start of the 25th anniversary voyage to New York. The QE2's owners, Trafalgar House, are to carry out extensive refurbishments this autumn to extend her service life into the 21st century Picture: Glyn Genin

Reuters plans financial TV service

By Raymond Snoddy

Reuters, the news and financial information group, next month plans to launch a new form of specialist television by satellite to computer screens.

The service, an example of multimedia in action, is aimed at foreign exchange, debt and treasury financial markets, and will be far removed from conventional television.

Mr Mark Wood, editor-in-chief of Reuters Holdings, said yesterday extensive research showed City professionals "did not want television. They want video information that is useful."

Usually Reuters Financial Television will only go on air when there are events or comments capable of driving markets. There will be a 15-minute morning briefing at 7.15, and possibly a second at lunch time. Apart from that there will be five minute bursts of live television when justified by the news.

The service will be available on adapted Reuters dealing screens. A screen ikon will flash two minutes before a transmission and the television picture can either be a small square in the corner of the screen or be enlarged to occupy the full screen.

Charges will be between £80 and £100 a month per screen. Mr Wood said yesterday he hoped 1,000 screens would be receiving the service across Europe by the end of the year.

Apart from news and instant live commentary from analysts, Mr Wood said the service would provide the opportunity to communicate directly with the markets for the first time. "It will show the furrows in the brow and how people react to questions and how they give information," said Mr Wood.

A pilot item carried an interview with Mr Kenneth Clarke, the Chancellor talking about his discussions with Mr Eddie George, the Governor of the Bank of England.

Reuters Financial Television, which will be delivered to foreign exchange dealers across Europe, will use the digital video compression system developed by NTL, the privatised engineering division of the former Independent Broadcasting Authority.

Reuters said yesterday it hoped launch a separate television service for equities dealers.

Trial run for seed-powered diesel cars

By Chris Tighe

Farmway, a 2,500 member north eastern England farmers' co-operative, will this week begin running some of its cars and lorries on bio-diesel produced from rapeseed grown on set-aside land.

British Bio-diesel, a consortium formed by a group of East Durham farmers, together with Farmway, specialist seed crusher Unitrition, and Chemoxy, a manufacturer of ester (an organic compound), has produced 4,000 gallons of bio-diesel, believed to be the UK's first.

The trial by seven Farmway vehicles, normally run on conventional diesel, will test vehicle emissions. A North Yorkshire Peugeot dealer's courtesy car will also use the fuel to gauge public reaction and engine performance will be evaluated by Perkins Engines and Lucas.

The consortium believes bio-diesel is an environmentally friendly fuel which also offers farmers a productive use for set-aside land, on which food crops are barred. Farmway is paying members £98 a tonne - about one acre's production - for the rapeseed. This does not affect set-aside payments.

The initiative was instigated the East Durham Bio-Diesel Working Group, formed by arable farmers in the Easington area. They say bio-diesel produces lower emissions of sulphur, hydrocarbons and particulate matter and, if spilt, is 95 per cent biodegradable within three weeks, and fully within five.

Farmer Mr David Cowton, a Group member, said the quantity of bio-diesel which could be produced from UK set-aside land would not supplant ordinary diesel, but would be attractive in environmentally sensitive areas such as polluted urban locations.

Accountancy profession set to probe Polly Peck

By Andrew Jack

The accountancy profession is poised to launch a high-level disciplinary inquiry into Polly Peck International, the collapsed conglomerate formerly controlled by Mr Asil Nadir.

The joint disciplinary scheme, the most senior regulatory body within the profession, is expected to announce an investigation within the next few days.

It is likely to concentrate on the role of Stoy Hayward, the accountancy firm which was the principal auditor to Polly Peck. Officials may examine the conduct of any member firms or individual accountants connected to the company.

The development comes just over a year after Mr Nadir broke his bail conditions and fled Britain for his native northern Cyprus while facing charges for theft and false accounting totalling £34m.

The joint disciplinary scheme, which represents the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Chartered Association of Certified Accountants, only examines the most serious and public of incidents.

It received a substantial blow last month when the House of Lords ruled against it and in favour of accountants Price Waterhouse, under inquiry for its audit of the collapsed Bank of Credit and Commerce International.

In a setback for self-regulation, the Lords supported the court of appeal's ruling that any inquiry by the profession must wait until after civil litigation on the case is completed, which could be into the next century.

Just four other investigations are currently underway – into Barlow Clowes, the disgraced fund management group; Ferranti, the electronics group; the Maxwell business empire; and War on Want, the third-world charity.

Stoy Hayward and Coopers & Lybrand, which is under investigation for its audit of the Maxwell companies, are believed to be among several firms which might defer responses to the joint disciplinary scheme's inquiries as a result of the House of Lords' ruling on BCCI.

The Institute of Chartered Accountants in England and Wales in 1992 fined two accountants at Coopers & Lybrand for accepting appointment as administrators to Polly Peck in breach of ethical rules after their firm had conducted work for Mr Nadir and his companies.

However, Stoy Hayward has not yet been sued in connection with the audit since Polly Peck entered administration under English insolvency law in October 1990.

Lloyd's agencies examine new type of funding

By Richard Lapper

Leading agencies at Lloyd's of London are examining the creation of a new type of corporate investment fund which would give them more control of their capital and mean that they could eventually become, in effect, limited liability insurance companies.

Unlike the dozen Lloyd's investment trusts created last year, which raised more than £800m and support a range of syndicates across the Lloyd's market, the new vehicles will supply capital exclusively to insurance syndicates managed by one particular agent, giving the agent more control.

The Hiscox Group, headed by Mr Robert Hiscox, Lloyd's deputy chairman, is the only agency so far to have formed a so-called "dedicated" vehicle, but this week both Brockbank, an agency which manages one of the market's biggest marine syndicates, and Kiln, another highly rated agency, said they may follow suit.

Lawyers and financiers advising Lloyd's businesses on their capital raising plans say that many other managing agents are now examining this option. Mr Cliff Hampton, of Phoenix, the specialist securities house, said that managing agents were becoming more concerned to secure their sources of capital, at a time when another year of large losses at the market is likely to lead to a reduction in the amount of capacity supplied by individual Names, whose assets have traditionally supported Lloyd's.

Interest in the new type of structure is likely to lead to pressure on the Stock Exchange to lift its current restrictions on listing such vehicles.

Britain in brief

Up to year delay for Eurostar

It could take between nine and 12 months before a full service of Eurostar trains is running through the Channel tunnel from London to Paris and Brussels, European Passenger Services (EPS), operator of the through trains, said.

The service is expected to start with only two trains a day running to each destination rising to 15 trains to each destination at half-hourly intervals.

Delays in deliveries and the time taken to test each train will mean there will be a gradual build-up of services from their starting date in July or August, EPS said.

The specially designed 400-metre long trains will take three hours at speeds of up to 186mph to travel between London and Paris and three hours 15 minutes between London and Brussels.

It was in Eurostar trains that the Queen and President Mitterrand travelled to the Calais terminal of the Channel tunnel to inaugurate the £10bn project last Friday.

Ticket prices will be announced three weeks before start of the service. First class fares are expected to be slightly lower than the airline's premium rates with a range of discount fares for leisure travellers as well.

Scots' drug problem seen

Drug-related crime could be costing Scotland up to £936m a year, a House of Commons select committee said.

The cross-party committee of MPs said official figures on the drugs problem represented "the tip of the iceberg" and called for anti-drugs education to start in primary schools.

One Glasgow GP told the Commons Scottish affairs committee that nearly half the children who attended one secondary school class in his area had injected drugs.

The MPs' report calls for the painkiller Temgesic to be added to the list of drugs of addiction notifiable to the Home Office, and for all GPs to review regularly their prescribing of drugs with potential for abuse.

It also calls on the Scottish Office to rethink its policy on research into drug abuse and take a more active role in fighting it.

Credit at 5-year high

Net lending to UK consumers rose to its highest level for almost five years in March, while new borrowing reached record levels, indicating that consumer confidence remained high before April's tax rises began to actually bite.

The net level of consumer borrowing recorded in credit card transactions, building society loans excluding mortgages, and finance house lending was a seasonally adjusted £516m, the Central Statistical Office said.

This so called "narrow" coverage compares with a figure of £336m the month before, and £217m the previous March. The total level of consumer lending for the first quarter of 1994 was £1,087m, slightly up from the £1,046m recorded in the last quarter of 1993.

New credit extended rose to £5,318m in March, of which £3,041m was accounted for by credit card purchases, the CSO said. This is the biggest monthly rise in consumer lending ever recorded by the CSO – higher even than in the consumer spending boom of the 1980s. However economists yesterday warned the surge in the credit card figures, which only record credit card purchases in the Visa and Mastercard system, was partly caused by seasonal factors and shifts in consumer spending.

Rail up-date for 2005

The £500m modernisation of British Rail's west-coast main line may take until 2005 to complete, the government has disclosed.

Work on the 480-mile link between London and Glasgow was expected to start next year and take between eight and 10 years.

The government said a competition would be held "early next year" for the contract to design, build and maintain the improvements to the line.

This would follow a feasibility study by a private-sector consortium working with Railtrack, the organisation set up to run BR's track and signalling.

Low pay unit targets North

Income for Northern households is £36 a week less than that of the average British household, a report said today.

A Low Pay Unit report, commissioned by the NUCPS public service union, found that northern incomes were among the poorest in Europe, 14 per cent below the European average.

The report said that more than a third of people working full time in the north earned less than the Council of Europe's decency threshold.

Low pay rates, however, had not led the region to attract jobs, said the report. It still had the highest unemployment rate in Britain and the gap between women's and men's pay rates in the north is wider than in the rest of the country.

The report says the problem has been made worse by the collapse of manufacturing and contracting out of public services. It said that the abolition of the wages council left 132,000 of the poorest workers in the region without protection.

Glasgow loses gallery plan

Mr Ian Lang, the Scottish secretary, has vetoed the plan by the National Galleries of Scotland to establish a new national gallery of Scottish art in Glasgow.

Mr Lang said the plan, which had aroused intense controversy in Scotland, did not enjoy "the broad general support appropriate to a major initiative of this kind."

Mr Lang's decision is a rebuff to Mr Angus Grossart, the merchant banker who is chairman of the trustees of the National Galleries of Scotland, and to Mr Timothy Clifford, the director of the galleries, who were the proponents of the plan.

Glasgow made a successful bid for the new gallery to be located in the city but the plan caused outcry when it was announced late last year.

Paras hurt in Sardinia jump

Fifty British Paras were injured when mass Nato airdrops on the Mediterranean island of Sardinia went wrong. The accident prompted an urgent call at Westminster for all British military parachute drops to be suspended without delay.

Taking part in the ironically named Exercise Dynamic Impact, the troops hit rock-hard ground on the sunshine holiday island after jumping out of RAF Hercules aircraft from 800ft.

Channel tunnel could be gateway to British milk market

Deborah Hargreaves on the big European players with a new interest in the UK

Trains loaded with fresh milk could be running through the Channel tunnel when it opens next year, according to Mr Andrew Smith, managing director, of the Besnier group's UK offshoot. France's Besnier group – one of the largest dairy companies in Europe – is looking to triple its dairy sales in the UK over the next three years to £100m.

Britain is the latest battleground for Europe's large dairy companies as they move into the £8bn sector. In November, the government plans to abolish the Milk Marketing Board's 60-year monopoly on the wholesale purchase and sale of milk in England and Wales, unleashing a free market in the £3.3bn fresh milk business.

The liberalisation of the milk market will leave dairies to buy their supply direct from farmers or through Milk Marque, the milk board's successor, which is being organised as a farmers' co-operative.

"We've got a great deal of experience of buying milk directly in our other markets which gives us a competitive advantage," said Mr Rory O'Mahony, chief executive of the dairy group at Ireland's Avonmore Foods.

Avonmore invested £20m last year in expanding their foothold in the UK market where it now supplies 7 per cent of liquid milk.

The opening up of the market will not eliminate the UK's shortfall in milk production however – European Union quotas restrict output to 85 per cent of the UK's needs. The rest of the EU produces a dairy surplus of 15 per cent.

Some of the European dairies are hoping to import raw milk from countries such as Denmark and Ireland which produce twice and three times their own requirements.

"European dairy companies are under pressure from falling product prices and cuts in European Union intervention," said Mr Michael Landymore, food analyst at Henderson Crosthwaite Institutional brokers. "They are targeting the UK in the hope of a higher return."

The introduction of the European single market last year and the interests of some retailers in expanding overseas have further fueled the internationalisation of Britain's dairy business.

"We can follow the UK retailers as they expand across Europe," said Mr Roger Clarke, commercial director of MD Foods, the UK offshoot of Denmark's large dairy company which is partly owned by a farmers' co-operative.

MD Foods has spent £150m on an acquisition programme in the UK in the past three years, gaining a 10 per cent share of the milk supply market. The company which is best known internationally for copying brands of cheese such as feta, is now looking to match its success in milk with a drive to boost its share of the UK cheese and dairy products sectors.

Innovation in the fresh dairy product sector has been led by European players which are now hoping to see the margins for their products improve as a result of the scramble for milk in November.

Mr Smith says the privately-owned Besnier group is planning to launch a large marketing campaign to push some of its cheese, butter and other dairy products in the UK. In March it consolidated its UK operations into one company.

Cheese and buttermakers have been a low priority in the current arcane system for allocating supplies and have had to run their plants at well below capacity because of the problem of getting hold of milk. "Now, efficient producers will be able to go out and pitch for it," said Mr O'Mahony.

The abolition of the pricing and supply system will also remove production constraints from dairy processors enabling them to cut costs.

MD Foods plans to cut its costs by 20 per cent over the next three years by buying most of its supply direct from farmers and running its processing facilities at closer to capacity. Last month, the company split its UK operations to form two units one of which will concentrate on doorstep service.

Doorstep delivery and the British consumer's appetite for fresh milk makes the UK market different from the rest of Europe. Northern Foods, one of the biggest domestic suppliers, believes competition will still be restricted by the limited milk pool.

"Even with the Channel Tunnel, transport costs will probably make it prohibitively expensive to bring in a lot of raw milk from the continent," said Mr Neil Davidson, group executive at Northern Foods.

Northern is taking a different approach from some of its European competitors. The company is threatening to invest £50m in a dairy products plant on the continent if the government does not ensure there is enough competition in the milk sales market in the UK.

In a Nutshell

Banking gloom for small businesses

Britain's smallest businesses are unlikely to have an easier time dealing with their banks in the coming years.

Their loan applications will be more carefully scrutinised; the interest margins they pay may well rise; and they will increasingly pay a commercial and visible level of fees for services like arranging loans.

Small businesses will remain a core market for most banks already focusing on the sector but customers must expect to pay more realistic rates for the service.

These predictions emerge from a report* into the banking industry's appetite for servicing small businesses with sales of up to £1m, commissioned by National Westminster Bank and compiled by Graham Bannock & Partners, the consultancy.

"The lending decision is going to have to involve a fuller exchange of information between banker and customer," says Terry Bryan, of NatWest's small business service unit. "We increasingly will want to lend against the viability of the business plan. Progressively there is recognition that the lending has been underpriced in this sector," he says.

From a macro-economic point of view, the report recognises that banking has become closely linked to the property cycle, with a high proportion of lending to companies and individuals secured on property. "This accentuates the tendency of bank lending to fuel booms and deepen recessions," the report says.

The main challenge banks face is to reduce bad debts.

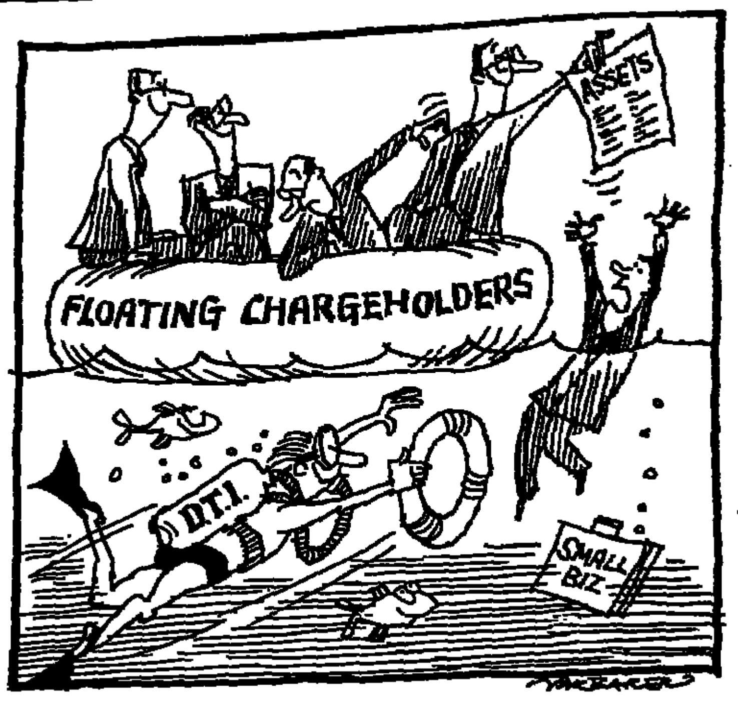
* *The Future of Small Business Banking – Available from NatWest Small Business Services. Tel 071 454 6925*

Correction

Raffo Design is designing a mechanical garden product for Snapper of the US and not a new bottle cap as described on last week's Growing Business page.

Richard Gourlay looks at plans which may improve the company rescue provisions of Britain's insolvency laws

Floating charge hits rough sea



PBR Solutions, a supplier of office electrical systems, went bust last year, its bankers calling in receivers after 16 years of successful trading.

The story is a familiar one; with sales of £7m, PBR's bank had confirmed an overdraft of £800,000 in late 1991 only to cut it six months later. The owner-managers, Bill and Jane Pickering, refinanced the company with funds they had tucked away for their retirement.

Six months later, one of PBRs' large contracts was cancelled, another postponed and the directors foresaw a sharp fall in sales that would last for two months. To avoid trading while insolvent, the Pickerings called the bank and asked for receivers to be appointed.

Last October the Department of Trade and Industry decided this might not be the best way to deal with companies in difficulty. Inviting suggestions on changes to company voluntary arrangements and administration orders, the DTI made a number of proposals that could improve the company rescue provisions of the 1986 Insolvency Act.

For the Pickerings, any changes to insolvency law will come too late. But if the changes are adopted, many other companies – and their unsecured creditors – may stand a better chance of rescuing their assets if they get into trouble.

One of the DTI's proposals relates to company voluntary arrangements between companies and their creditors that have been used very little since they were introduced in the 1986 Act. One obstacle has been the lack of a moratorium on creditor's rights; the DTI suggests introducing a moratorium of 28 days, extendable to three months, that would bind all creditors.

But the DTI's consultative document has raised the lid on a much bigger hornet's nest by questioning whether the long-established rights of floating chargeholders – normally banks – should be curtailed to give administration orders more chance of success. The floating charge is the unusual mechanism by which banks can take a charge over a company's changing assets, such as its inventory. It is only used in the UK, Australia and Canada of the industrialised countries.

The trouble with administration is that directors of companies which seek its protection know their banks have the whip hand. As the law stands, a floating chargeholder can veto an administration order and appoint an administrative receiver.

Under present rules, an administrative receiver is not obliged to take into account the interests of unsecured creditors or shareholders. The receivers are often accused of being concerned with minimising losses for the banks rather than looking at whether there is a viable future for the company.

Taking an altogether more radical approach, the Small Business Bureau has called for the total abolition of the floating charge. In a reply to the DTI's consultative document, Barry Baldwin, head of the policy unit at the SBB, says abolition would change the emphasis of insolvency. "The objective of any insolvency process should be to make the company as valuable as possible for the benefit of all creditors, secured or unsecured, and the shareholders," he says.

"The UK urgently needs to find some form of cultural structure which would at least give financially distressed companies a fighting chance of survival.

"Elimination of the floating charge may well lead to a re-assessment of lending criteria, with less reliance on security, and increased emphasis on the ability of companies to achieve the cashflows necessary to sustain the costs of supporting debt."

Not surprising, the banks have vigorously rejected the DTI suggestions that floating chargeholders' rights might be diluted. If the value of bank security, and in particular the floating charge, was undermined, it would "lead to increased costs to cover the added risk, and it could also discourage lending generally, especially to smaller businesses and for company start-ups", the British Banking Association says in a submission to the DTI.

"The proposals set out in the consultative document would change fundamentally the current legal environment by shifting the balance of power towards debtors [the borrower] at the expense of secured creditors," the BBA says.

The association says the DTI in any case is placing too much emphasis on rescuing corporate entities rather than the underlying businesses. And it says the biggest single contributory factor leading to insolvency is that companies lose their markets.

Groups like the Association of British Chambers of Commerce are reluctant to tinker with the floating charge if banks consequently become more reluctant to lend.

But one of the underlying weaknesses of smaller corporate Britain is its reliance on overdrafts. The floating charge may be partly to blame. By mortgaging everything that moves, companies have avoided operating from an adequate equity base and banks have frequently paid too little attention to the underlying strength of their clients' businesses.

At least reducing the value of the floating charge might result in better quality lending to sounder businesses.

The names of PBR Solutions and its directors have been changed as legal proceedings continue between directors and the receivers.

Will the bait be tasty enough?

Ewen Macpherson asks whether venture capital trusts, launched last November, can encourage private investment in unlisted companies

The UK government has high hopes for venture capital trusts. By creating "conditions for new businesses to become established and for small businesses to grow", VCTs are seen as a key to cutting unemployment.

The strategy – offering tax breaks to channel longer-term capital into unquoted companies – makes sense. Everyone accepts now that unquoted companies tend to create more jobs than quoted ones. But success depends on answers to two questions.

Will the VCT rules attract investors to come up with the money? And will the money find its way to dynamic businesses?

Of course, the viewpoints of investors and of managers of dynamic businesses are not always identical. There is a lot of squaring of the circle to be done before the VCT scheme, still at the discussion stage, takes final form.

A strength of the VCT scheme is to draw on the skills of those with experience of investing longer-term capital in unlisted companies. First, however, there is a basic question to be asked about the pattern of shortage of longer-term capital.

Ask an entrepreneur looking for £250,000 to set up a high-tech business, and he will tell you that capital is in very short supply. On the other hand, go to the managers of a substantial subsidiary company where there is going to be a management buy-out from a large industrial group and they may tell you that several venture capital companies are vying for the privilege of backing them.

There is no case for tax concessions to attract investment to multi-million-pound buy-outs, which in the past decade have been a profitable market for the venture capital industry. The Inland Revenue's consultative document on VCTs addresses this point by suggesting a size restriction. VCTs would be allowed to invest only in companies with gross assets of less than, say, £10m. A £10m limit seems high if the aim is to help new and smaller companies.

But one can see the government's reasoning. Allowing a trust to invest in fairly large as well as small companies might achieve a portfolio mix more attractive to investors. It can be argued that a better bait would be more substantial initial tax advantages for investors, rather than encouraging the trusts to move away from the core of the scheme – to provide funds for entrepreneurial businesses.

A more appropriate limit on the size of eligible companies might be gross assets of £2m. But size is not the only issue. If the VCT scheme is to achieve its full potential for encouraging economic growth, those drafting the rules should recognise that there are two quite distinct categories of investment in the private equity market.

One category finances growth – directly. This includes the funding of start-ups and provision of capital to fledgling businesses trying to get established.

It also includes – though it is sometimes overlooked – the scope for investing in companies already established. They need capital to enable them to re-equip, enter new markets or expand in other ways, which often simply cannot be financed by overdrafts. Such growth calls for risk capital – the private company's equivalent of the quoted company's rights issue.

The second category consists of investment in changes of ownership. This includes management buy-outs, management buy-ins and other restructuring operations. Restructuring – a feature of the "enterprise revolution" of the 1980s – can bring about a valuable shake-out in the economy, but there is a significant difference between that and specific investment in immediate growth plans.

Change of ownership represents a "churning" of existing assets, and already there is enough capital chasing these deals.

It could be stipulated as a condition of VCT status that the trust's portfolio should contain a majority of the first type of investment. There could be a minority of the second – "churning" – type if the trust's managers wanted a more balanced portfolio. MBOs are perceived to be less of a risk, which is why they already attract so much investment.

Arguably, though, the problem is not so much overall lack of capital as lack of demand. If small companies are held back for want of long-term capital, the reason sometimes seems to be that they are unaware that such capital exists – or that they are reluctant to use it. Directors of family businesses, for instance, may refuse to dilute their equity.

If more of Britain's smaller companies strengthen their competitive edge by strengthening their balance sheets with capital from the VCTs, it could contribute significantly to job creation. But if VCT money goes largely to management buy-outs and buy-ins, the government will not get what it is hoping for.

The author is chief executive of 3i Group plc.

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LINCOLNSHIRE MARKETING ORGANISATION (POTATOES) LIMITED (BOTH IN ADMINISTRATIVE RECEIVERSHIP)

The business and assets of the above Boston based potato and onion packing and marketing business are available for sale as a going concern as a consequence of receivership.

- *Modern potato/onion washing, grading and packing facilities*
- 10 acre site with cold storage for approx 3,500 tonnes of produce
- Ambient temperature buildings in excess of 50,000 sq ft
- Turnover in the region of £4.0m p.a.
- Established high street customer base
- Experienced local workforce of 34

Parties interested in an early acquisition should, in the first instance, contact Richard Rees or Paul Harrison at the address below:

Price Waterhouse, Victoria House,
76 Milton Street, Nottingham NG1 3QY.
Tel: (0602) 419321 Fax: (0602) 475225.

Price Waterhouse

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Purse Plus Limited

The joint administrative receivers offer for sale, as a going concern, the business and assets of Purse Plus Limited operating as high quality leather goods retailers.

Principal features include:

- Annual sales of some £1.2 million.
- Four leasehold, fully equipped, shops in Bayswater, Wimbledon, Bromley, and Hatfield.
- A substantial quantity of high quality leather goods and fashion accessories.
- Full and part-time staff of 16.

For further information, contact the joint administrative receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Telephone 0727 843000. Fax: 0727 864423.

KPMG Corporate Recovery

Advertiser S.W. Scotland offers for sale a complete water bottling plant newly installed and ready for use. Premises included and ample supply of E.H.O. Approved spring water capable of being uprated to National Mineral Water.

Great potential especially for "own label bottling."

Ill health reason for sale and terms considered to suitable purchaser.

RING 0988 403404

YORKSHIRE SPORTS LIMITED

The shareholders of Yorkshire Sports Limited are considering retirement and offer for sale the shares in the company, or the whole or either part of its business.

- The company is based in Harrogate, North Yorkshire.
- Long leasehold site with further development potential adjacent to the Yorkshire Showground.
- Established dry-slope ski centre with an annual turnover of £160k and membership of 300.
- Leisure centre including 4 squash courts and modern fitness centre (recently refurbished), function room, catering facilities and licensed bar. Turnover £190k. 600 members.
- *Well known for quality of tuition with internationally respected coaches and British team members in both skiing and squash.*
- Committed, enthusiastic workforce comprising 19 full and part time employees.

For further information please contact Chris Marshall, Corporate Finance Manager

ROBSON RHODES Chartered Accountants RSM International

St George House, 40 Great George Street, Leeds LS1 3DQ
Telephone: 0532 459631
Fax: 0532 436129

The directors of Yorkshire Sports Limited accept responsibility for the contents of this advertisement which has been approved by a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Geological & Oil Field Service Consultancy

Geoffrey Kinlan and Peter Copp, the Joint Administrative Receivers, offer for sale as a going concern the business and assets of Paleo Ltd t/a Paleo Services.

- Turnover is in the region of £1.5m pa
- Clients include most major oil companies in the world
- Extensive experience in the North Sea, Northern Europe, Africa, Middle East, South America and Far East
- Multi-disciplinary geological capability
- Premises available to purchase or lease in Watford
- Vast geological database and library

Further information may be obtained from Geoffrey Kinlan or Warren Epstein at Stoy Hayward. Tel: 071-486 5888. Fax: 071-935 3944

STOY HAYWARD Horwath

Accountants and Business Advisers A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

The London and South East offices of Stoy Hayward are registered to BS 5750 FS 22657

8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-935 3944.

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140 BED HOTEL WITH SUBSTANTIAL CONFERENCE, BANQUETING AND LEISURE FACILITIES

18 HOLE CHAMPIONSHIP GOLF COURSE IN MATURE WOODLAND SETTING

9 RCI GOLD AWARD TIMESHARE LODGES LODGE & 8 DORMI STUDIOS

PLANNING PERMISSION FOR ADDITIONAL 18 HOLE GOLF COURSE AND 61 RESORT PROPERTIES

OFFERS IN THE REGION OF £4 MILLION FREEHOLD

BROCHURE FROM SOLE SELLING AGENTS:
WILLIAM HILLARY LEISURE & HOTELS
123 CANNON STREET, LONDON EC4N 5AX
TEL: 071 623 3233 FAX: 071 929 0681

LEISURE & HOTELS

CAPE AND DALGLEISH

CHARTERED ACCOUNTANTS

BISHOP PIPEFREEZING SERVICES LIMITED (IN ADMINISTRATION)

G C A MORPHITIS AND F F A WESSELY THE JOINT ADMINISTORS OFFER FOR SALE THE BUSINESS AND ASSETS OF AN ENGINEERING COMPANY BASED IN LONDON SE16.

- Market leader in the commercial pipefreezing industry
- Large blue chip customer base
- Provisional orders of £150,000
- *Turnover for the year prior to Administration £912,000*
- Enquiries to be submitted by 13 May 1994 to the Joint Administrators

401 ST JOHN STREET, LONDON EC1V 4LH
TEL: 071-833 2333 FAX: 071-837 7347

Upon the Instructions of Edward Klempka Fixed Charge Receiver — Coopers & Lybrand

Walker Singleton

FOR SALE
AS A GOING CONCERN

Jenny Dee's

PUBLIC HOUSE & HOTEL
Salterhebble Hill, Huddersfield Road
Halifax, West Yorkshire

Excellent opportunity to acquire a thriving 3-fold business, enjoying a prime main road location, 3 miles from J24, M62 motorway. Split Freehold/Leasehold site comprising:
(F) The Public House and car parking facilities
(L) 21 - Bedroomed Hotel Block, Calder House, Dry Dock. Services plus additional car parking

SUBSTANTIAL OFFERS are requested for the whole site including full inventory of fixtures & fittings and Goodwill. SAV

Further details and viewing appointments available upon application

Contact: Michelle Francis

PROPERTY HOUSE, LISTER LANE, HALIFAX HX1 5AS TEL. 0422 363311 FAX. 0422 362920

FOR SALE

COLLECTABLE GIFTWARE COMPANY

Growing Turnover and Profit
Strong Cash Generation
Well Established - Wide Customer Base

Current pre-tax profit £700,000 + p.a.

Exceptional potential

Write to Box B2813, Financial Times, One Southwark Bridge, London SE1 9HL.

SOUTHERN ENGLAND /SOUTH COAST

For Sale

Powder Coating Company

Rare opportunity to acquire profitable business. Turnover£350k per annum. For details please reply to:

Box B2802, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE MANAGED OFFICES BRISTOL

as going concern plus freehold producing 13% £575,000.

Write to Box B2800, Financial Times, One Southwark Bridge, London SE1 9HL

BUYING - SELLING A BUSINESS?

Contact

BusinesstoBusiness Network

A nationwide network service for *unadvertised* businesses for sale

The network is a group of accountants, solicitors, intermediaries, brokers and company owners who are selling or buying businesses in:

Manufacturing • Engineering • Industry
Construction • Commerce • Services

To place your business requirement free of charge on the network or for membership details call

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52 Shaftesbury Avenue, London W1V 7DE

Receive over 300 businesses for sale

SPECIALIST RECRUITMENT / EMPLOYMENT AGENCY

London based

- Existing management

Annual sales - £3m * Nett profit - 5.5%. Interested purchasers please contact

Box B2806, Financial Times, One Southwark Bridge, London SE1 9HL.

CONTRACT CATERING

BUSINESS FOR SALE

As going concern. Established ongoing business with turnover of +£300K. Good profits. Premises with fully fitted modern kitchens. Based in East England.

Interested parties write to:- Robertson, Craig & Co Chartered Accountants, 3 Clairmont Gdns, Glasgow G3 7LW.

LEISURE BUSINESS

Successful large capacity discotheque - North West - for sale. Good track record with likely profit figure year end March 1994 £340,000 WITHOUT benefit of brewery discount. Barrelage 710 per annum. Principals only write to Box B2807, Financial Times, One Southwark Bridge, London SE1 9HL.

Instructions Joint Receivers

THE WINTER GARDENS HOTEL, WEST CLIFF, BOURNEMOUTH

Amalgamating the former Grosvenor Court Hotel to provide 70 e/s letting bedrooms, restaurant (96), lounge/bar, function suite, leisure suite (indoor pool, sauna, solarium etc). 10 staff bedrooms, garden, car park. Net T/O £392,836 (run under management).

Offers invited freehold complete.

ROBERT BARRY & CO.
(0285) 641642

APPOINTMENTS

SENIOR ANALYST

- FIXED INCOME RESEARCH

Leading International City-based investment firm requires Senior Analyst to support corporate bond trading, sales, and new issue syndication working closely with sales and trading professionals to carry out market-sensitive credit research covering a wide variety of European risks. Education to at least MBA level, with specialisation in Finance and/or Economics, aged 35-40. Language proficiency in French, German, Italian and Spanish. Minimum 8 years' International and U.S. experience in: Credit Analysis, Corporate Finance/Banking, and Derivative Capital Market Products. Marketing experience in Commercial and/or Private Banking, or other related experience demonstrating ability to develop and maintain client relationships advantageous. Salary negotiable. Please write confidentially, enclosing full C.V. to Box A2029, Financial Times, One Southwark Bridge, London, SE1 9HL.

INVESTMENT BANKING

The Financial Institutions Group of this leading international investment firm requires an investment banker to specialise in mergers and acquisitions and equity transactions emanating from Southern Europe. The successful candidate, aged 25-30, educated to MBA standard and fluent in Spanish in addition to English, will have minimum 2-3 years' relevant experience, preferably gained in Southern Europe, strong analytical abilities and full understanding of South European economy. Salary circa £34,000.

Please write in strictest confidence, enclosing full curriculum vitae, to Box A2030, Financial Times, One Southwark Bridge, London SE1 9BL

SECURITY COMPANY

For sale in Fuengirola, Spain.
Full permissions obtained for installation, distribution etc. Company has ceased trading but remains properly constituted with issued and payed-up share capital. 140 sq.mtr. warehouse and offices optionally available.
Skyguard S.A. Tel: 34-5-2832660. Fax: 34-5- 2836734

PLANT HIRE BUSINESS

A well established Plant Hire business is offered for sale due to the impending retirement of the owner.

Turnover £850,000.00
Excellent Profits.

Well established clientele to include Council and British Gas contracts.

Write to Box B2809, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

Exclusive West End based menswear shop. Superb location.

Contact Paul Weavers on 071-213 1178 for further information.

SCOTTISH GROUP WISHES TO DISPOSE OF NON-CORE HAULAGE SERVICES

Fleet consists of approx. 20 very modern articulated units with Trailer fleet of approx. 60 comprising refrigerated units, curtainsiders and flats.

£3.0 million annual turnover.

Large client base throughout the UK.

Modern office and maintenance facilities can be included in lease if desired.

For further details contact:

Box B2801, Financial Times, One Southwark Bridge, London SE1 9HL.

PUB CHAIN

Small chain of 38 pubs in Midlands and North available as a single package. All held freehold or long leasehold. 9,500 barrels (1993).

Offers around £6 million.
Contact Andrew Watt.

OLIVER KITCHEN & FLYNN
TEL 0532 459681 FAX 0532 436241
PRINCIPALS ONLY

EXCEPTIONAL OPPORTUNITY

TO ACQUIRE EXPANDING UK FRANCHISORS BUSINESS

- 21 established franchises
- Considerable immediate potential
- Locate anywhere, no staff

Price: £48,000 (recouped in 1st year)

Reply Box B2805, Financial Times, One Southwark Bridge, London SE1 9HL.

LEGAL NOTICES

MARTIN THE NEWSAGENT LIMITED

IN a Petition presented to the Court of Session on *3rd May 1994 at the instance of Martin the* Newsagent Limited, a Company incorporated under the Companies Acts with the No. 13840 and having its Registered Office at 26 Munro Place, Glasgow G13 2UP, for confirmation of reduction of capital and reduction of share premium account, the Court has pronounced the following Interlocutor:-

"Edinburgh, 5th May 1994

The Lords appoint the Petition to be intimated on the Walls and to be advertised once in each of the Edinburgh Gazette, The Scotsman, The Herald and The Financial Times newspapers; allow any party claiming an interest to lodge Answers thereto, if so advised, within twenty-one days after such intimation and advertisement.

Donald M. Ross I.P.D."

of all which intimation is hereby given.

Brodies WS
15 Atholl Crescent
Edinburgh EH3 8HA
Solicitors for the Petitioners

The Financial Times plans to publish a Survey on

International Taxation

on Friday May 20.

The survey will review the taxation system worldwide and examine the challenges it will face in 1994 and the implications for the international business community. The survey will reach an estimated international readership of 1 million.

For an editorial synopsis and information on advertising opportunities please contact MELANIE MILES on Tel: 071 873 4874 Fax: 071 873 3064

FT Surveys

CONTRACTS & TENDERS

SUGAR & INTEGRATED INDUSTRIES COMPANY (S.I.I.C.)

12 GAWAD HOSNY STR. CAIRO/A.R.E.

PURCHASING SECTOR

Announce for the International TENDER NO. 1/6 BELKAS for importing steel & St.St. longitudinally welded tubes for BELKAS PROJECT financed by the SAUDI FUND FOR DEVELOPMENT according the following:

1. Offers will be received & opened on 15/6/94 at 12 O'clock Cairo local time.
2. Tender documents can be obtained from above address against a stamped application and paying L.E.1000 for one set to be increased by 10% in case of it is requested by MAIL.
3. Offers should be submitted through registered EGYPTIAN AGENT and accompanied by the following:
   a. Original of agency form 14C for review & copy of it *attached with the offer.*
   b. Copy of receipt of Purchasing the tender documents.
   c. 2% at least (bid bond) unconditional bank guarantee issued from a first class bank & endorsed from a first class EGYPTIAN BANK to be increased to 10% in case of awarding contract.
4. Offers not comply strictly with terms will be rejected without response.

MAGAZINES FOR SALE

Two regional business to business controlled circulation titles for sale based in Southern Counties.

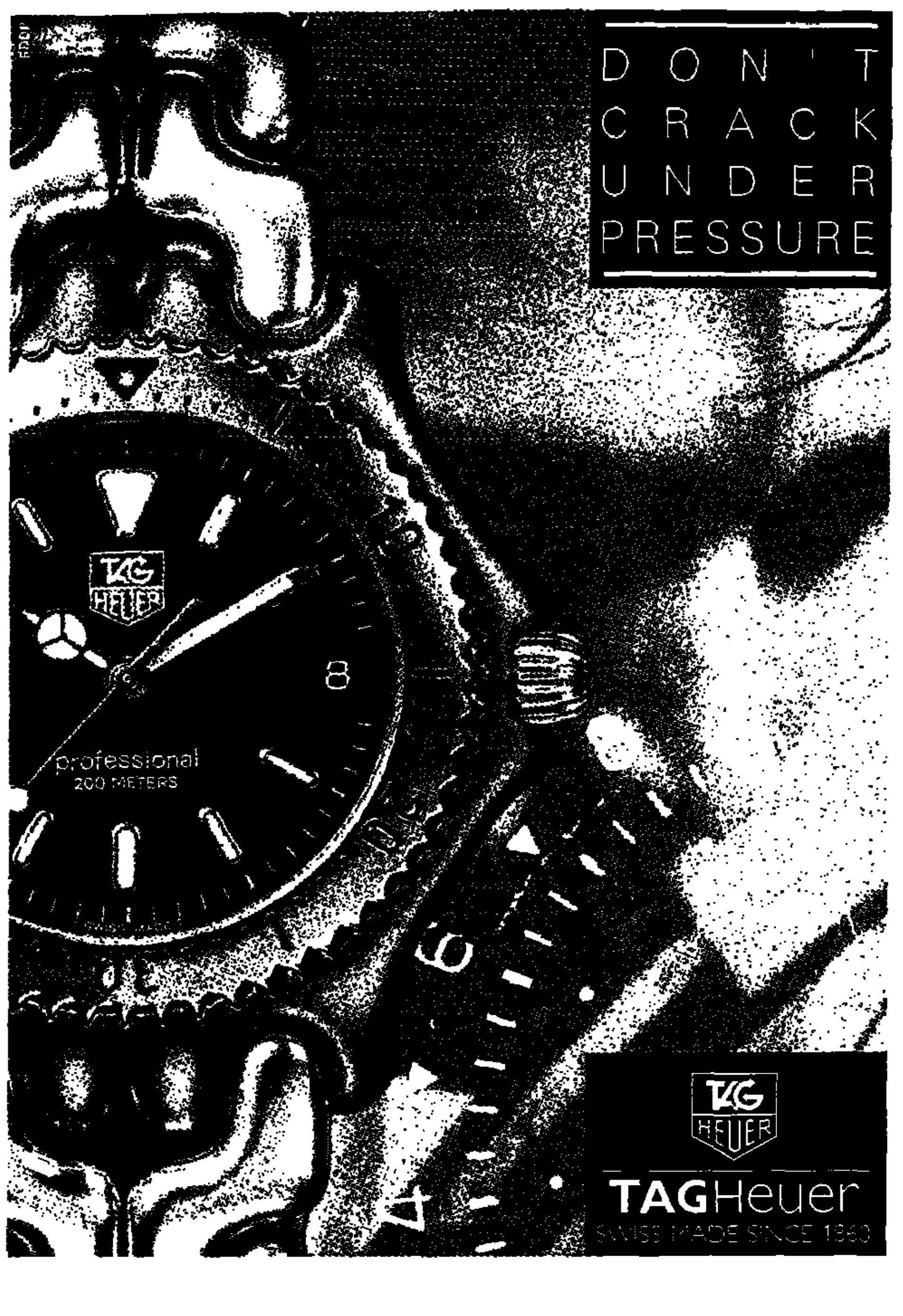
Reply to Box B2823 Financial Times, One Southwark Bridge, London SE1 9HL.

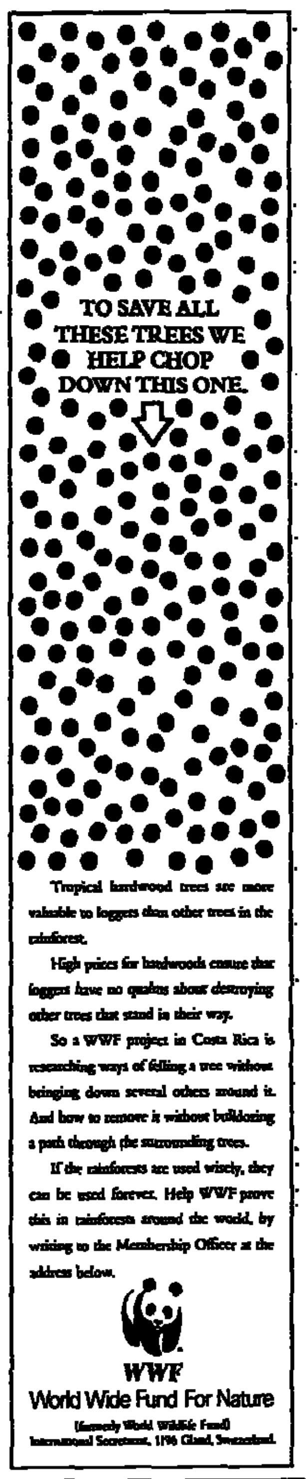
WHOLESALE BAKERY 8,000 sq. ft. cen London. Part equipped. Offers for Lease and/or equip. Box B2804, Financial Times, One Southwark Bridge, London SE1 9HL.

100+ LIVE BUSINESSES FOR SALE and sales of assets fortnightly 071 262 1164 Fax: 071 706 3464

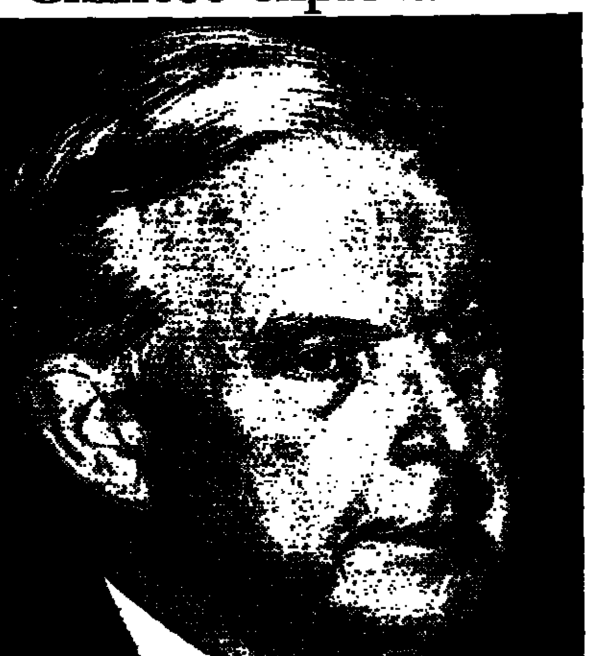
FOR SALE Small publishing company with a number of profitable trade titles. Owner seeks retirement. Principals only, Box B2811, Financial Times, One Southwark Bridge, London SE1 9HL.

PEOPLE





Prime movers give clout to Chinese exploration



Sir Michael Palliser, 72, (above), a former head of the British diplomatic service, has joined the board of the Exploration Company of Louisiana, a small loss-making US oil company which has been raising money in the London market.

Sir Michael, vice chairman of Samuel Montagu, is a former director of BAT Industries, Bookers, Eagle Star, Shell and United Biscuits. Given his age, there is some surprise that he is taking on additional directorships. However, he is two years younger than Arthur Hummel, a former US ambassador to China, who has also joined the board.

Henderson Crosthwaite, the UK brokers to the company, which has a substantial UK investor following, played down the age of the new directors. Exploration Company of Louisiana, which has until recently been exploring for oil and gas in the US Gulf coast area, has started looking for oil in China.

It raised $25m earlier this year to help finance the drilling of three wells in the Zhao Dong block in China's Bohai Bay. The recruitment of a couple of well-connected septuagenarians is designed to give the company some boardroom clout in a part of the world where businessmen often do not reach their prime until they pass their 70th birthday.

Sir Michael and Hummel join a board which already includes an ex-mayor of Houston and a descendant of the New Orleans banking family which invented Tabasco sauce.

■ One of the side effects of the change of control of USBORNE, the grain trading and pig production company whose chairman is Lord Cecil Parkinson, is that chief executive David Frame has stepped aside rather earlier than his planned retirement on reaching 60 in July this year.

Michael Adams, the director responsible for the group's grain trading operations, has taken over as group managing director.

Frame, who last week sold a 36 per cent stake in the company to David Thompson, a shareholder, is staying on as a director of the company until July and thereafter will act as a trade adviser to Usborne Grain.

Financial problems hit the group early in April, forcing the suspension of its shares. Thompson's company, Thompson Investments, now controls just over 50 per cent of Usborne's equity.

■ Downie Brown, formerly commercial director of RTZ Pillar, has been appointed group finance director of HARLAND AND WOLFF.

■ Derrick Broomfield, formerly group finance director of Jeyes, has been appointed finance director of POWERHOUSE RETAIL. David Callear, formerly group chief executive of TIP Europe, replaces Broomfield as group fd and deputy group chief executive at JEYES.

■ John Legg is promoted to md, product support division at SMITHS INDUSTRIES Aerospace on the retirement of Ian Newton; Nicholas Wilton is promoted to md defence systems division on the retirement of Derek Jackson.

■ Peter Owens has been promoted to finance director of FINA, part of Petrofina.

■ Nigel Walmsley has been appointed chairman of Carlton Television; he succeeds Michael Green who remains group chairman.

Bodies politic

■ Angela Robinson, chief executive of the Yorkshire Regional Blood Transfusion Service, will become medical director of the NATIONAL BLOOD TRANSFUSION SERVICE on the retirement of Harold Gunson at the end of June.

■ Sir Frank Lampl, chairman of Bovis Construction Group, has been appointed first Chancellor of KINGSTON UNIVERSITY.

■ Simon Arnold, chairman of Bain Clarkson, has been appointed chairman-elect of the BRITISH INSURANCE AND INVESTMENT BROKERS' ASSOCIATION.

■ Sir Michael Checkland, former director-general of the BBC, has been appointed an independent trustee of REUTERS FOUNDERS SHARE COMPANY.

■ Mike Short, Cellnet's director of external affairs, has been appointed vice-chairman of the European committee on GSM networks.

■ Stephen Watson, director of the Judge Institute of Management Studies at the University of Cambridge, has been appointed dean of LANCASTER UNIVERSITY Management School.

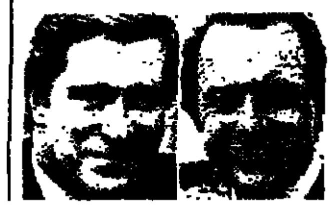
■ John Thurston, md of the Watts Tyre & Rubber Group, has been appointed president of the NATIONAL TYRE DISTRIBUTORS ASSOCIATION.

■ Michael Pickard, chairman of London Docklands Development Corporation, and Mark Wood, md of AA Insurance and Financial Services, have been appointed to the committee of The AUTOMOBILE ASSOCIATION.

■ Robbie Gilbert, director of employment affairs at the CBI, has been appointed a member of the council of ACAS, in succession to the late Richard Price.

■ Peter Foreman (below left), md of Sun Alliance International, has been appointed chairman of the Loss Prevention Council on the resignation of John Carter.

■ Roger Carson (below right) has been appointed president of the INCORPORATED SOCIETY OF VALUERS AND AUCTIONEERS.



New editor for Investors Chronicle

Ceri Jones, 35, has taken over as editor of the Investors Chronicle, a weekly magazine owned by the Financial Times. She replaces Gillian O'Connor, one of the longest serving editors of the Investors Chronicle, who became the FT's personal finance editor earlier this year.

Jones, who read English at Liverpool University, started her career as a graduate trainee with Midland Bank but a year later switched to financial journalism. After stints with Planned Savings and Pensions Management, she has edited Financial Adviser, another FT weekly magazine, for 5½ years.

The magazine, which has a free circulation of 44,000, claims that it is the most widely read title among financial intermediaries, and Jones has been given the task of substantially increasing the IC's circulation. Last year it rose by 24 per cent to 56,000 and by more than doubling the promotional spend, sales have increased to around 65,000 copies a week. Mark Van de Weyer, publisher of Financial Times Magazines, says that with additional investment an ultimate target of 100,000 copies per week "should not be regarded as over-ambitious".

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

■ UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	85.0
1987	105.6	100.7	103.8	96.7	76.2
1988	109.9	103.2	106.9	99.1	71.1
1989	115.2	108.5	110.0	101.1	74.9
1990	121.5	113.8	113.8	104.3	73.4
1991	126.6	116.3	117.3	107.8	74.2
1992	130.4	117.7	120.2	108.1	74.2
1993	134.3	119.2	123.4	105.5	76.6
2nd qtr.1993	3.2	2.0	2.5	−2.2	75.7
3rd qtr.1993	2.8	0.7	2.5	−2.6	76.2
4th qtr.1993	2.7	0.3	3.0	−3.0	76.7
1st qtr.1994	2.5	0.2	3.0	−1.7	77.0
May 1993	3.2	2.1	2.5	−1.9	75.6
June	3.0	1.3	2.5	−2.7	75.9
July	2.8	1.3	2.5	−2.5	77.3
August	2.8	0.5	2.5	−2.6	75.9
September	2.7	0.4	2.5	−2.7	75.4
October	2.8	0.2	2.5	−2.9	75.9
November	2.7	0.4	3.3	−2.2	77.0
December	2.8	0.2	3.3	−3.8	77.4
January 1994	2.5	0.2	2.5	−1.8	77.8
February	2.5	0.2	3.3	−1.5	77.0
March	2.5	0.2	3.3	−1.8	76.4
April					76.4

■ JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	100.8	95.3	101.4	103.4	118.4
1987	101.2	92.5	103.1	100.6	122.9
1988	102.2	92.3	107.8	98.2	131.0
1989	104.9	94.2	114.0	98.1	123.5
1990	108.2	95.7	120.1	98.3	108.3
1991	111.6	96.8	124.2	101.8	114.6
1992	113.9	95.8	125.6	111.0	116.3
1993	115.3	94.3	125.8	116.8	134.0
2nd qtr.1993	1.0	−1.4	0.7	5.3	133.2
3rd qtr.1993	1.6	−1.8	0.4	4.4	140.7
4th qtr.1993	1.2	−2.1	−0.1	5.1	137.6
1st qtr.1994	1.4				137.8
May 1993	1.1	−1.5	2.3	5.3	132.2
June	1.0	−1.5	−0.9	5.4	136.9
July	1.6	−1.7	−1.2	5.4	138.7
August	2.0	−1.8	2.3	2.6	144.0
September	1.3	−2.0	1.5	5.4	139.4
October	1.2	−2.1	0.6	7.8	138.5
November	0.9	−2.1	1.7	3.4	138.7
December	1.3	−2.2	−1.1	4.2	135.9
January 1994	1.4	−2.1	4.5	4.2	134.5
February	1.4	−2.2			139.4
March	1.3				139.7
April	0.8				141.6

■ GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	103.8	103.8	107.4
1987	100.1	95.0	108.0	107.1	110.9
1988	101.4	96.2	113.0	106.9	110.0
1989	104.2	99.3	117.3	108.0	107.8
1990	107.0	101.0	123.8	110.3	110.7
1991	110.7	103.4	131.6	115.0	106.1
1992	115.1	104.9	138.6	121.5	108.8
1993	119.8	104.8		125.6	110.1
2nd qtr.1993	4.2	−0.2	n.a.	5.5	108.5
3rd qtr.1993	4.2	−0.2	n.a.	1.6	108.6
4th qtr.1993	3.7	−0.2	n.a.	−2.4	109.7
1st qtr.1994	3.3	0.2	n.a.		107.2
May 1993	4.2	−0.2		5.8	109.4
June	4.2	−0.4		3.4	108.4
July	4.3	−0.2		2.9	108.1
August	4.2	−0.2		0.2	109.5
September	4.0	−0.3		1.6	111.1
October	3.9	−0.2		−0.2	111.1
November	3.6	−0.2		−3.5	109.4
December	3.7	−0.1		−3.3	109.0
January 1994	3.5	0.0			107.2
February	3.4	0.2			106.6
March	3.2	0.3			107.5
April	3.2				106.8

■ FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	102.5	97.2	104.5	101.5	103.4
1987	105.9	97.8	107.8	103.0	104.6
1988	108.8	102.8	111.1	103.8	102.2
1989	112.6	108.4	115.4	105.3	99.8
1990	116.5	107.1	120.6	109.5	103.6
1991	120.2	105.8	125.8	113.8	102.2
1992	123.1	104.0	130.3	115.8	105.7
1993	125.6	101.1	133.7		108.5
2nd qtr.1993	2.0	−3.3	n.a.		109.7
3rd qtr.1993	2.2	−3.4	n.a.		106.5
4th qtr.1993	2.1	−2.2	n.a.		107.7
1st qtr.1994	1.7		n.a.		107.5
May 1993	2.0	n.a.	–	n.a.	109.8
June	1.9	n.a.	2.6	n.a.	109.0
July	2.1	n.a.	–	n.a.	106.6
August	2.2	n.a.	–	n.a.	105.4
September	2.3	n.a.	2.3	n.a.	107.5
October	2.2	n.a.	–	n.a.	107.4
November	2.2	n.a.	–	n.a.	107.0
December	2.1	n.a.	2.2	n.a.	108.5
January 1994	1.9	n.a.	–	n.a.	107.5
February	1.8	n.a.	–	n.a.	106.9
March	1.5	n.a.	2.0	n.a.	108.1
April		n.a.	–	n.a.	106.6

■ ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.7	101.3
1987	111.0	103.2	111.6	105.6	102.0
1988	116.5	106.6	118.4	109.7	100.2
1989	124.2	113.1	125.6	112.3	103.6
1990	131.8	117.8	134.7	118.8	106.2
1991	140.3	121.7	147.9	131.3	105.5
1992	147.7	124.0	155.9	136.8	101.9
1993	153.9	128.7	161.2		87.3
2nd qtr.1993	4.1	3.9	3.1	2.6	88.4
3rd qtr.1993	4.3	4.3	4.1	2.1	87.9
4th qtr.1993	4.1	3.9	3.8		85.7
1st qtr.1994	4.2				85.1
May 1993	4.0	3.9	2.6	n.a.	89.7
June	4.2	4.1	4.1	n.a.	90.1
July	4.4	4.2	4.1	n.a.	88.7
August	4.4	4.4	4.1	n.a.	87.9
September	4.2	4.3	4.2	n.a.	87.2
October	4.3	4.1	3.9	n.a.	86.6
November	4.2	3.9	3.9	n.a.	85.6
December	4.0	3.7	3.6	n.a.	84.7
January 1994	4.2	3.5	4.0	n.a.	85.1
February	4.2	3.6		n.a.	85.5
March	4.2			n.a.	84.9
April	4.1			n.a.	87.6

■ UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0
1986	103.4	101.4	107.7	104.5	94.2
1987	107.7	104.9	116.3	107.1	94.6
1988	113.0	108.7	126.2	110.0	102.3
1989	121.8	113.9	137.2	114.8	101.3
1990	133.3	121.0	150.1	123.2	102.6
1991	141.2	127.5	162.4	131.8	106.5
1992	146.4	131.5	173.1	134.5	103.5
1993	148.7	136.7	180.9	134.8	95.7
2nd qtr.1993	1.3	4.0	5.0	−0.5	95.3
3rd qtr.1993	1.6	4.3	4.4	1.2	97.1
4th qtr.1993	1.6	3.9	3.9	1.7	97.1
1st qtr.1994	2.4	3.3			98.5
May 1993	1.3	4.0	4.8	−2.6	95.5
June	1.2	4.0	4.9	1.1	95.1
July	1.4	4.2	5.0	0.7	97.4
August	1.7	4.3	3.6	1.0	97.2
September	1.8	4.3	4.5	1.8	96.7
October	1.4	4.0	3.8	2.0	96.2
November	1.4	3.6	4.0	1.9	97.1
December	1.9	4.0	4.0	1.1	97.9
January 1994	2.5	3.7	4.8	2.1	99.8
February	2.4	3.4	4.4	2.2	98.3
March	2.3	2.7			97.6
April					97.1

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: JP Morgan real effective exchange rate index versus 15 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Legality of an obligation to buy

EUROPEAN COURT

An exclusive purchasing obligation, forcing local electricity distributors to purchase all their electricity from a regional company, could be lawful provided such a restriction was necessary to allow the regional company to fulfil its public service obligations, the European Court of Justice ruled recently.

Local electricity distributors in the Netherlands brought a case against their regional electricity company. Under Dutch law, electricity is distributed by regional companies to local distributors, which in turn ensure the supply of electricity to individual clients in their areas. However, certain end-users, notably those in rural areas, are directly supplied by the regional companies. Regional distributors have a non-exclusive statutory right to distribute electricity in their region.

Between 1985 and 1988, the regional distributor concerned prohibited the local distributors from purchasing electricity from any other source. There was a corresponding obligation on the regional company to sell electricity only to the local distributor companies. These companies, in turn, imposed an obligation on the final consumer to purchase electricity only from them. The regional companies also had to purchase their electricity from the national generators.

From January 1 .1985, the regional company imposed a surcharge on the local companies in order to compensate for the difference between the higher cost of distributing electricity direct to rural consumers and the lower costs of distributing electricity to the local companies for use by urban consumers.

The local companies made a complaint to the European Commission. The Commission ruled that the restriction imposed by the national generators on the regional distributors was unlawful under the Rome treaty. It also held that the restrictions on the end-users breached competition rules and could not be justified under Rome treaty rules on public service undertakings. The restrictions between the regional and local companies were not explicitly dealt with by the Commission.

However, before complaining to the Commission, the local companies had started arbitration proceedings to decide the legality of the surcharge imposed by the regional companies. A tribunal found that the surcharge was lawful. The local companies appealed to a national court which sought a preliminary ruling from the ECJ on, among other things, whether a prohibition on the importation of electricity such as existed in the present case was contrary to Rome treaty rules covering state monopolies and competition.

The ECJ first held that European state monopolies rules were not relevant to the present case, as the regional distribution company did not have an exclusive right to distribute electricity in the relevant territory.

The ECJ then found that the import prohibition restricted competition and affected trade between member states, as it partitioned the Dutch market from other European Union markets.

But the ECJ left it to the national court to determine whether a collective dominant position actually existed between all the regional companies in the Netherlands. The ECJ said if it did, the tying-in of electricity purchasers in the way described would constitute an abuse of that dominant position.

The ECJ finally examined the Rome treaty provisions on public service undertakings which provide that restrictions on competition imposed by such companies are lawful to the extent which they are necessary for the performance of the relevant services of general economic interest carried out by those companies.

The ECJ said it was for the national court to determine whether the import restriction was necessary for the regional company to distribute electricity in its territory. It stated that, in determining this question, the national court should take into account the costs borne by the company, in particular regulatory costs relating to the environment.

C-393/92: Commune d'Almelo ea v NV Energiebedrijf IJsselmij. ECJ FC, April 27 1994.

BRICK COURT CHAMBERS, BRUSSELS

Borderline cases

Robert Rice on the pros and cons of becoming a national law firm

The Norton Rose/M5 group of English law firms recently surprised the legal services market by deciding not to merge its operations into a single national partnership.

The trend in recent years has been to extol the merits of national law firms, such as Eversheds and Leeds-based Dibb Lupton Broomhead, which say their geographic spread and structure make them more flexible to client demands. But a review carried out by the Norton Rose/M5 group revealed no "business case" for merging its seven firms.

According to Mr Peter Smith, the group's chief executive, clients of the individual firms could see no significant advantage in their lawyers becoming a national partnership with offices in the main commercial centres of England and Wales. What mattered to them was the continuation of the relationship they had built up with a law firm or individuals within it.

The question is whether this finding was specific to the Norton Rose/M5 group, or whether it is the typical reaction of business clients.

Mr Barry O'Meara, deputy group solicitor for ICI, the UK chemicals group, says that whether a firm has a national network of offices is not a factor in choosing outside lawyers. Two years ago ICI "outsourced", or contracted out, its litigation and conveyancing work. For the litigation side, it needed a firm well represented in the north of the country – which is ICI's heartland – and in London, Mr O'Meara says. It chose Hammond Suddards of Leeds.

For conveyancing, the company's view was that, while most of the work was in the north, it could be done from anywhere. It chose City solicitor Field Fisher Waterhouse.

The rest of the group's company and commercial work is handled by the in-house team. Only for specific jobs, such as the Zeneca demerger, would it instruct outside lawyers. In such cases, its policy is to instruct the best firm for the job. For the demerger, ICI used Linklaters & Paines.

Similarly, Ms Gillian Budd, group senior legal adviser at Cadbury Schweppes, the food and drinks group, can see no significant advantage in a law firm having a national network. Her company would not choose a law firm just because it had one. The different divisions within Cadbury Schweppes tend to use lawyers they know at a local level.

Mr John Elliott, a senior legal adviser at 3i, the UK's largest venture capital company, says he believes some national law firms "overestimate the importance to clients of their networks".

Nevertheless, it can be a factor when choosing a firm, says Mr Peter Bevan, British Petroleum's group general counsel, but it is not usually decisive. On rare occasions, BP has used a firm because of its spread of offices, but in general the company's worldwide policy is to choose firms for specific jobs.

The Scotsman

Cairns: the same law firm worked for his company in Scotland and England

According to Mr Julian Collins, solicitor to the British Coal Pension Funds and chairman of the Law Society's commerce and industry group, there is no significant demand from commerce and industry for the legal profession to follow the accountancy model and set up national networks.

Such comments suggest the Norton Rose/M5 decision not to merge its firms was a sound one. While its group relationship allows the individual firms to co-operate in training recruitment, exchange of information and in marketing at an international level, there seems to be no demand for a single partnership.

However, there may be demand for firms that offer high-quality services on both sides of the Scotland/England border. By failing to include Scotland in their networks, the existing English national law firms may have missed a trick.

Scotland is a distinct jurisdiction. Although most company and commercial law is the same as in England, differences in litigation, property and bankruptcy laws may have dissuaded a number of English firms from focusing on the Scottish legal market.

Scottish firms have not been slow to recognise the potential demand for services in both jurisdictions, but few are big enough to do so, or prepared to risk losing referral work from English firms by competing south of the border.

McGrigor Donald of Glasgow may be the exception. A number of Scotland's leading commercial firms do have offices in London, but in the last five years McGrigors has built its City office into a full-service operation. This arguably makes it the only true full-service national law firm in the UK.

According to Mr Robert Glennie, the partner in charge of the London office, its strategy of building a full-service operation in London is beginning to pay dividends. He cites the firm's role in helping to turn round Scottish Metropolitan Property, Scotland's biggest property investment company, as an example of work which could not have been done by any other law firm in the UK acting on its own.

Two and a half years ago, ScotMet was on the brink of collapse, having reported an unexpected pre-tax loss of £8.37m, including a write-down of £9.4m on a site in Bournemouth, Dorset, and incurred a £2.2m cost on renegotiating banking covenants.

The loss followed a badly timed increase in the company's property development activity, particularly in the south of England. At the beginning of 1992, Mr Gordon Milne, the company's long-serving managing director, stepped down and was replaced by Mr Scott Cairns.

Mr Cairns announced a strategy of returning the company to its core activity of property investment, and set about reducing ScotMet's borrowings, which stood at £201m in September 1991 – a gearing ratio of 140 per cent.

After renegotiating the company's banking facilities and executing a controlled programme of property disposals, ScotMet has achieved pre-tax profits of £7.1m in the six months to February.

Company borrowings, which had already been reduced to £144.9m by August last year, had fallen to £67.9m. This was thanks largely to the sale last October of Saltire Court, a prestige office development in the centre of Edinburgh, for £53.1m – a £6.5m surplus on book value.

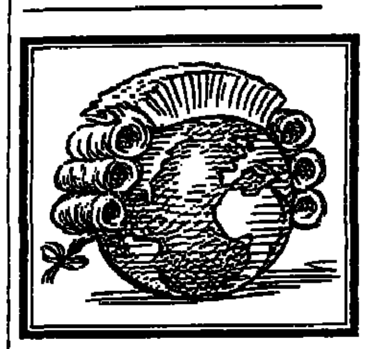
In November, the company entered into what Mr Cairns called a "voluntary refinancing" with a one-for-three rights issue to raise approximately £26.8m. It is now back on the acquisitions trail. In March, it announced the purchase of McNeils, a private company with a portfolio of retail investment properties in Berwick-upon-Tweed, for about £4.5m.

Thanks to its London office, McGrigors was able to provide a complete service for ScotMet, says Mr Glennie. Five years ago, any work in England and Wales for ScotMet was handled by Linklaters & Paines.

This ability to provide overall legal services within the UK has proved attractive to retail companies. McGrigors now handles all the UK employment and litigation for Gap, the US clothes retailer; it acts for the Sock Shop chain; and has picked up all UK banking and property work for Seagrams, the drinks company.

While there may be no "business case" for national law firms in England and Wales alone, firms might be wise not to ignore the opportunities that the provision of legal services throughout the UK could bring.

LEGAL BRIEFS



Supreme Court to review high punitive awards

The US Supreme Court has accepted another products liability case for review, giving it a further opportunity to set constitutional limits to excessive punitive damages awards. US products liability lawyers were disappointed last year when in the TXO case the justices upheld the constitutional basis of a punitive damages award 526 times the amount of the compensation awarded.

Since the TXO case, state courts have had to rely on other grounds for curbing excessive punitive awards which, in most products liability and tort cases, are still exceeding compensatory damages by multiples of 10 or more.

In March, however, the Supreme Court accepted for review the Oberg case from the Oregon Supreme Court, concerning a products liability award against the maker of an all-terrain vehicle. The jury awarded the plaintiff $900,000 in compensatory damages and $5m in punitive damages. The Oregon constitution, in preserving the right to trial by jury, appears to prevent any court from interfering with jury verdicts. The defendants, Honda Motor Co, argue this, in effect, prevents any court from reviewing a jury damages award and therefore violates federal due process. Lawyers hope the Supreme Court will use the case to set out constitutional limits to punitive damages awards.

All signed up

Foreign companies can execute documents in the UK without the need to apply a common seal, following the introduction by the UK government of new regulations under the 1989 Companies Act. This will mean anyone eligible to sign documents under the foreign company's own domestic law will also be eligible to sign them under British law.

TECHNOLOGY

Leyla Boulton examines Russia's attempts to convert space and defence projects into civilian money-spinners

Weightless, but gaining ground

Whether it is to make mashed potato flakes at a top-secret weapons installation or simulate zero-gravity for tourists, Russia is bursting with plans for turning its cash-strapped space and defence industry into a source of lucrative civilian projects.

Some are capital-intensive and have yet to attract investment, others are a reality.

One is the bizarre experience of weightlessness training, originally designed for astronauts and now made available to anyone who can pay. "Military pilots – you must always remain in a state of combat-readiness," reads the faded billboard at an airfield outside Moscow as a busload of Japanese travel agents and US journalists arrives for a gravity-suspending flight.

"Welcome on board this Ilyushin-76," says Victor Rein, chief of the Russian Space Agency's micro-gravity unit, as his 15 foreign passengers clamber on to a transport plane specially equipped for simulating weightlessness. They are about to sample a 90-minute out-of-mind experience on offer to any potential "space-tourist" with $4,000 (£2,740) to burn.

With an individual trainer to instruct and watch over each "tourist", the seatless aircraft, complete with padding for a soft-landing after each burst of zero-gravity, simulates weightlessness by performing undulating flight manoeuvres in the shape of a parabola.

It is the movement of passengers relative to that of the aircraft at the "apogee" of the parabola which creates the feeling of free floating. Some 14 parabolas are flown, generating as many weightlessness sessions, each lasting 30 seconds, during which passengers can pretend to fly like Superman, or simply hang to the handrails while the rest of their body goes up in the air.

While Nasa and the European Space Agency have only one such aircraft each, the Russians have three but a dwindling number of astronauts to train in them. A cut in the once-lavish state subsidies means the agency is eager to use the space programme's excess hardware to generate extra revenues as well as advertise Russian technological prowess.

In an attempt to reach a wide audience, the agency is marketing the weightlessness flights in the west through a Florida-based company called MIGs Etc, which already has a track record offering tourists the chance to fly over Moscow on MIG-29 fighter planes.

The same financial crunch has hit the Russian defence industry which for decades produced masses of weaponry for the state without regard for its cost.

But after more than five years of talking about the need to convert excess defence capacity to civilian output, industry has experienced mixed successes in its efforts to carry out so-called *conversiya*.

The main obstacles have been not so much the cost of such projects but Russian authorities' inability to create a welcoming investment climate and managers' dearth of marketing skills. Many managers have trouble both selling existing output and putting together attractive investment opportunities for would-be investors.

"Our people have golden hands," an official from the defence-dominated Urals industrial region told western bankers last month in what was meant to be a serious pitch for western investment. "They can make everything except money."

In a self-interested attempt to help, a group of Russian entrepreneurs and bankers recently put together a consortium called the Russian Aerospace Corporation. Konstantin Borovoi, one of the organisers, says the aim is to match Russian investment resources with promising opportunities in the defence and space industries.

In a renewed attempt to attract western capital to previously top-secret reaches of Russian industry, Russia is presenting 14 investment projects at the Central and East European Technology and Investment Exhibition at Earl's Court in London this week.

Yuri Tichkov, the deputy atomic energy minister in charge of helping part of the Russian nuclear weapons industry switch to peaceful purposes, will be heading the delegation. "We are trying openly to describe directions of *conversiya* in this sensitive area," he says.

He believes that the projects, five of which are based in "closed cities" where nuclear weapons are made, are attractive because of the high-quality workforce and technology available at the plants in question.

The government is offering foreign investors a 50 per cent stake in joint ventures which it sees as important for creating jobs and restructuring industry to the needs of consumers. Using the big numbers of which Russian officials and old-style factory managers are fond, he says one project requires $100m to set up manufacturing facilities for fibre-optic cable on equipment designed at the closed city of Chelyabinsk-70.

Other projects are aimed at producing special materials such as pure aluminium, silicon and gallium arsenide for the electronics industry. At a plant in Tomsk-7, a closed city which was the site of a small nuclear accident last year, the aim is to make high-energy magnets instead of weapons-grade plutonium.

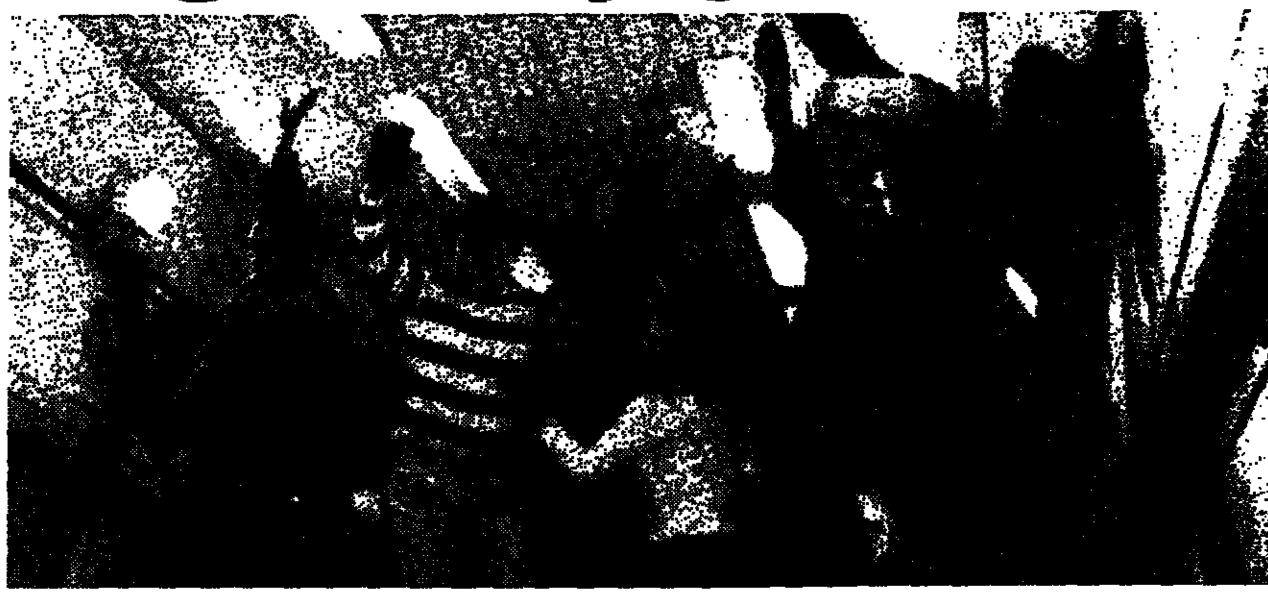
Also on display in London is "Project Potato" – a pilot project launched with a US food processing company called Concord – to produce machinery to save Russia's potato harvest from going to waste by converting surplus potatoes into instant mashed-potato granules.

A first example of successful *conversiya* in a closed city is Krasnoyarsk-45, which last year set up production facilities to make 30m video-cassettes and 25m audio-cassettes with some help from the Russian government and from BASF, the big German chemical group.

But recognising that Russian officials and managers had so far done a poor job in attracting investors – "we are still lousy as market operators" – Tichkov hopes that the Russian government will make the projects irresistible by attaching special tax breaks to them in a few months' time.

Acknowledging that many western companies were not interested in projects in which they could not have the controlling interest, he also said the government would let foreigners have control if they offered "really good terms".

He shied at the question of why Russian investors had not already flocked to take advantage of the projects, saying their "mentality was geared towards short-term profits".



Reuter

Superman for 90 minutes: 'Space-tourists' with $4,000 to burn get to grips with the joys of weightlessnees in a converted Russian transport aircraft

Tapping in to third world telecoms

The market is waiting to be exploited, says **John Barham**

The developing world is becoming a holy grail for the global telecommunications industry. The potential of untapped markets in the poor but populous countries of the third world is enormous.

India alone has unsatisfied demand of at least 10m lines. Some countries such as Nepal or Burkina Faso have bought state-of-the art fibre and digital systems that rival those in the US and Europe.

Economic liberalisation is sweeping the developing world, tearing down the regulations and trade barriers that once kept multinationals out. In many countries the cost of inefficiency and corruption is becoming too heavy to bear, and governments cannot afford to upgrade networks alone.

New lines installed by state companies in Africa, for example, cost $6,200 (£4,300) on average, according to the International Telecommunications Union. In Latin America, the figure is $2,900, although privatisation has lowered this figure in some countries. But a multinational can install a new line for less than $1,000.

Ministers take liberalisation seriously because the link between telecommunications and development has become incontrovertible: the better a country's telecommunications network, the wealthier it is likely to be. This single theme dominated a recent Buenos Aires conference organised by the ITU and sponsored by the United Nations.

It was the ITU's first conference aimed at the needs of the developing world. Seminars drove home the lesson to industry executives and ministry officials that private-sector participation and liberalisation are the only way poor countries can modernise and expand telecommunications.

This is easier said than done. Edward Salia, Ghana's transport and communication minister, agrees the era of state-controlled telecommunications is over, but says: "Telecommunications are national assets. Are we going to allow unrestricted entry?"

Previous warnings by the ITU that the developing world was being left behind in the telecoms revolution had no effect. Between 1983 and 1992, telephone lines per head in the industrialised world rose by 10 per cent. But the rise in the rest of the world was only 1.4 per cent. The ITU says global telecommunications service and equipment sales last year rose by 8 per cent to $535bn, but three-quarters of this was spent in the developed world.

While heavy investment in telecoms will not alone spur economic growth, privatisation and liberalisation have had positive results. Latin America is in the forefront of telecommunications privatisation. Argentina, Chile, Mexico, Peru and Venezuela have all privatised their networks.

Only Brazil seems to have no time for liberalisation. Brigadier Adyr da Silva, president of the Telebras state telecommunications company, says: "Brazil, in terms of plant, investment and technology, is in the first world. If [telecommunications] are such a good deal for us, why should we give it to the Americans? There is an immense campaign going on. Everyone is trying to force their way into [foreign] markets. Those who are in are fighting to keep the others out."

The introduction of technologies such as cellular telephony, digital systems and data networks passed the poorest countries by in the 1980s. But the future of some new technologies could depend on demand in third world markets.

Inmarsat, the international communications satellite organisation, already has briefcase telephone systems that can provide low-cost satellite phone services for every village in a poor country. It says the future of mobile satellite communications will depend to a large extent on take-up in poor countries.

In March, it successfully tested a cellphone-sized handset that transmitted a taped Wilbur Smith novel to one of its satellites.

However, it admits this system is at least four years from becoming commercially operational and will require a new generation of satellites. US companies such as Motorola, AT&T and Microsoft plan to introduce similar technologies.

Committed to reality rather than concepts

William Packer reviews five fine artists who have shunned the conceits of the avant-garde

Five Protagonists is a somewhat portentous title for what is, in the event, a long-overdue and salutary exercise in critical rehabilitation. Indeed, modest in scale though not in scope, it offers a gentle and timely rebuke to our curatorial masters for their enduring neglect of so many of our most distinguished artists, for no greater a crime than their failure to toe the official avant-garde line.

Here is a show by its very nature more appropriate to a public institution than a private commercial gallery: and here are painters at least as serious in their address and rewarding in their accomplishment as any post-modern, neo-dada, carcass-celebrating conceptualist, still wet behind the ears. And would Euan Uglow ever be offered the British Pavilion at a Venice Biennale ahead of, shall we say, an Antony Gormley, or Patrick George be given a first retrospective at the Tate in place of Richard Hamilton's third, or Myles Murphy be asked to choose a show at the Serpentine instead of Damien Hirst? No comment.

But *Protagonist*? Here perhaps lies the problem. The Shorter Oxford Dictionary gives protagonist first as "the chief personage in a drama; the principal character ... etc": its second, and more indefinite, meaning as "a leading personage in any contest; a champion of any cause." And here we have these five painters, all of whom were taught one way or another by William Coldstream – Patrick George and Anthony Eyton at Camberwell just after the war; Euan Uglow, Myles Murphy and Craigie Aitchison at the Slade in the early 1950s. All were friends, united by shared houses and common interests. Above all they maintained then, and retain now, their commitment, drawn from Coldstream, to the direct response to the visible world.

Since then they have gone their several ways; Aitchison withdrawing into a private and idiosyncratic symbolism; Eyton moving towards a more directly gestural and expressive response; George developing a delicately measured impressionism; Murphy reconciling the monumental and descriptive to the painted flatness of the canvas; and Uglow ever measuring and looking, and measuring, looking again with preternatural precision. It is one of the delights of the show that we may follow such individual development by the examples shown, early, middle and late.

But where is the drama of which even one of them should be chief personage, where the contest, where the common cause to champion? The short answer is that there never was one, and each artist was only ever the chief actor in his own play. Would their story have been different had they made common cause, issued manifestos, proselytised and campaigned – in short persuaded the powers that be they were a force to reckon with and take seriously? The Young post-art-school Turks of today hardly need the telling. The unconscious irony of *Five Protagonists* is that it is precisely because its heroes were never protagonists at all that they suffer their present comparative neglect. Successful they may be in the private and local market, but on the scale of international critical values they scarcely register at all. Better after all to have been hung together than to hang alone.

And yet an artist such as Euan Uglow remains what he has manifestly been these 20 years, and always was in prospect, one of the best and most interesting artists of his time. His paintings take on the ambition not of current notoriety or fad, but rather of the great humanist tradition in western art of which he and his kind represent the enduring vigour. His work is important and, forgive the jargon, *relevant* to us now, not because it proposes some trivial conceit or intellectual by-play, not because it is about fashionable ideas of process or identity, not because it is about anything, but only because it is what it is, as it is achieved on the canvas. Here is the human figure, scrutinised long and hard in its physical reality, for us to contemplate in our turn, in the light of our own experience of the world.

What may be said of Uglow may said as well for George, Murphy and the rest of them – and they are not alone. In the generation at least of artists now over 50, who had the luck to train before the study of the figure was abandoned for the study of *ideas* and *concepts*, there are any number of truly serious, figurative, modern painters, more and of a higher quality perhaps than anywhere else in the world. The only scandal is that we do not celebrate them as we should.

Five Protagonists: Browse & Darby, 19 Cork Street W1, until May 21.

'Girl Against the Light', 1974, by Myles Murphy

Concert

Russian weight and brilliance

The stormwinds of Soviet change blew the Russian National Orchestra into being in 1990 – the first orchestra to be wholly separate from the state in Russia since 1917 – and already it sounds as seasoned in style, as effortlessly well-balanced and accurate of ensemble as one of the great orchestras of the world. That is not so surprising since the players count among the country's best, many of them soloists in their own right, all ready to muster at the founder-conductor Mikhail Pletnev's call, even if this meant abandoning prestigious positions.

Pletnev wanted to create an orchestra with the highest ideals and free from bureaucratic imposition; one, you might say, that would restore Russian musicians to their purest native musicality, untainted by ideology. Once Gorbachev gained power, the dream became a possibility; and the combination of Tat'yana Sukhacheva's business skill and Pletnev's immense musical authority – he won the Gold Medal of the Moscow International Piano Competition when only 22 (in 1978) – proved galvanising. Soon the new orchestra was travelling the world. Three years after playing Tchaikovsky's *Manfred* Symphony in Moscow at its first concert, the RNO was recording it for Deutsche Grammophon.

For its Festival Hall concert on Sunday night, the orchestra offered Tchaikovsky and Weber and secured a large audience. *Romeo and Juliet* overture was a fine advertisement for their sound, which, like that of the best Russian orchestras, is a compound of weight and brilliance. The stormy passages for rushing string octaves and crashing chords had all the decisive Russian despatch you would expect, and the lyrical music was mellowly, thoughtfully executed; but the true delight of the performance was perhaps the exact weighting of inner parts such as the roving thirds of the slow introduction or the throbbing woodwind triplets – just sufficiently audible in their own right – at the glowingly expansive reprise of the lyrical tune.

For all its quintessential Russian virtuosity, the orchestra refrains from exaggeration, and such sensible musicality is made visible in Pletnev's unshowy, hugely effectual platform manner. Wonderful pianist though he may be, he seems a natural as a conductor. In a brilliant and discreetly tongue-in-cheek performance of Weber's vapid *Konzertstück* in F minor he came before us in both roles. In Tchaikovsky's fourth symphony he conclusively demonstrated that colour and architecture are one. The recurrent fateful brass fanfare can rarely have sounded so blindingly brilliant, and thus as structurally effective, as this. And what cello resonance (near the close of the Andantino)! what flute agility (for the descants in the finale)! what violas! In the encore of a Dvořák Slavonic Dance, the latter sounded every bit as sharply characterful, as reedy, as the oboes they were playing with.

Paul Driver

Alastair Muir

Patricia Routledge plays Mrs Malaprop as an 18th century version of her TV role, Hyacinth Bucket

Theatre/Alastair Macaulay

Business abounds in 'The Rivals'

Chichester has launched its season with a robust, energetic, and strongly-cast production of Sheridan's 1775 classic, *The Rivals*. It has been too long since England had a major account of this play – few of us have seen it since Peter Wood's illustrious 1983 National Theatre staging (with Geraldine McEwan, Michael Hordern, Fiona Shaw, Edward Petherbridge, Tim Curry) – and everything about it delights the Chichester audience. So much so that I hardly like to add that this production is over-busy and, in several respects, vulgar.

Mrs Malaprop, the play's most celebrated character, is affected, so Patricia Routledge plays her as an 18th-century version of her own famous TV role, Hyacinth Bucket. But the main joke about Mrs Malaprop is that she is *intellectually* affected. Yes, she muddles her words, but both the words she means and those she says reveal that she is trying to be clever.

Routledge, though she brings the role an appealing energy, plays it as a silly old harridan. An undisciplined performance, marked by exaggerated facial reactions and an excessive range of vocal effects. And disappointing: Routledge has often been a most stylish comedienne.

What a relief to turn from her to Timothy West, who plays the explosive Sir Anthony Absolute with perfect economy. Self-contradiction is the keynote of *The Rivals*'s main characters; and it is West who catches this best, furiously attacking his calm son for displaying fury, stonily nosing out his son Jack's tricks and stratagems. When Jack's efforts to woo Lydia Languish as two different suitors are being uncovered, it is West's way of barking out (stock still) "Who the devil *are* you?" to his son that provides the evening's great comic pay-off.

Abigail Cruttenden brings to the pettish proto-romantic Lydia Languish just the right hothouse over-cultivation. She has porcelain prettiness, an absurd (school of Sara Crowe) laugh, and all the necessary spoilt charm, so that you laugh at her without taking against her. Emily Raymond, however, as her cousin Julia, the play's most rational and touching role, is a lovely bore who loses one's attention during her every extended speech. Adam Goldley is a lightweight, puppyish Faulkland; the role's ludicrous Romantic agony has little force. As Jack, James Simmons has mischief and virility nicely compounded.

The director is Richard Cottrell, who paces everything with a welcome briskness. But he has allowed, or encouraged, several actors to overdo things. Characters keep pacing four yards away from each other amid intimate conversations for no good psychological reason. Lucy (Caroline Holdaway) nods her head rapidly whenever she is listening. The music, by Mark Warman, is not only cheaply scored, but is introduced, distractingly, to underline certain big speeches, as if in a movie. Business, in the most literal sense, abounds.

In repertory at the Chichester Festival Theatre, until June 23

Fringe theatre/David Murray

Darwin's Flood

Snoo Wilson's comedies – far-fetched, scatty-intellectual, black and often scabrous – can hardly be an "acquired taste", for one cannot imagine anybody acquiring it. Either you find that you already had it, very possibly to your surprise and embarrassment; or you sit there stony-faced; or you veer queasily this way and that. The press-night audience for *Darwin's Flood* at the Bush represented the entire spectrum. A few people, perhaps scandalised, did nothing but wince; some others flinched and guffawed; still others – a few at a time, never quite the *same* few – went into sudden spasms of uncontrolled hilarity.

No critic could tell you where you might fit (*I* laughed a lot). Here are the premises: – we are in Sir Charles Darwin's retirement home on the Downs, soon to be inundated by the second Great Flood. The year being 1885, Sir Charles is already dead, but he carries on bravely (in the person of John Kane, disarmingly a-tremble with scientific detachment and decent concern), though he doesn't want visitors.

Visitors come nonetheless, welcomed by his lusty young widow Emma (Alex Kingston). First the philosopher Nietzsche, with his monstrous sister Elisabeth (Rosemary McHale, faultlessly Teutonic and intense) and her husband (Paul Bentall), who set out in 1890 with 150 dogged Swabians to found a pure German colony in South America. Nietzsche (Bob Goody) is already mad, speechless and virtually legless – Elisabeth wheels him in a barrow – but since they are time-travelling backwards there is hope of a retroactive recovery. She wants to verify the agreement of Darwinianism with her brother's will-to-power, devil-take-the-loser philosophy before pressing on to Paraguay.

Meanwhile Jesus Christ drops in, a chunky Ulsterman in biker's Lycra (James Nesbitt) who performs the odd miracle between offstage sessions of prayer and comfort with Mrs Darwin; and then red-leathered Mary Magdalene (Barbara Barnes) with a mobile call-girl's phone, who soon finds herself flagellating scraggy old Nietzsche in crucifixion pose and loincloth, to his hungry satisfaction. Some viewers might find this in dubious taste. As one loopy episode succeeds another, Robin Don's witty set disgorges surprise after extravagant surprise, exceeding the little Bush arena's limits beyond anything one might have imagined.

Though it must plainly be admitted that *Darwin's Flood* is a very very silly piece, its special kind of silliness is worth appreciating. *Not* silly-intellectual, because Wilson never pretends to elevate the central idea – the validity of "social Darwinism", I suppose – into a Shavian debate; instead it keeps prancing off into comical quicksand. Not silly-facetious either (as the above summary might suggest, like almost any summary of a Wilson play); because the undergraduate snook-cocking is just scaffolding for his inspired flights of cogent, deadpan craziness for every character.

They may not extend far – construction is not a Wilson strength, and his second act falls short of the riotous climax of the first – but they keep coming, knitted neatly into the airy texture and never far from the point. Stokes's cast carry them off with unabashed bravado, abetted by Chahine Yavroyan's hi-tech lighting and Simon Whitehorn's apocalyptic-Romantic sound as well as Don's sensational designs. The morning after, you may find the details lost beyond recall but a delighted glow still lingering. Do *not* take a maiden aunt.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight: Sankai Juku presents Yuragi, play by Japanese author Ushio Amagatsu. Thurs: ballet gala with Alessandra Ferri and Julio Bocca. Fri, next Mon: Peter Schat's new opera Symposion (020-625 5455)
Concertgebouw Tonight: Philippe Entremont conducts Netherlands Chamber Orchestra in works by Mozart, Ibert and Saint-Saens, with piano soloist Stefan Vladar. Tonight (Kleine Zaal): Raphael Oleg, accompanied by Barry Douglas, plays violin sonatas by Grieg and Richard Strauss. Fri: Jean Fournet conducts Rotterdam Philharmonic Orchestra in Berlioz, Saint-Saens, Debussy and Ibert, with piano soloist Jean-Yves Thibaudet. Sun afternoon: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in Debussy, Saint-Saens, Bartok and Kodaly, with cello soloist Janos Starker. Sun afternoon (Kleine Zaal): Kenneth Montgomery conducts concert performance of Walton's The Bear. Sun evening: Murray Perahia piano recital. Next Tues: Sergiu Celibidache conducts Munich Philharmonic (020-671 8345)
Beurs van Berlage Tomorrow: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in Debussy, Saint-Saens, Bartok and Kodaly, with cello soloist Janos Starker. Thurs, Fri, next Mon: Janos Starker masterclasses (020-627 0466)

■ ANTWERP

de Vlaamse Opera Tonight, Thurs afternoon, Sat: Stefan Soltesz conducts Willy Decker's production of Billy Budd, with cast headed by Michael Kraus, Nigel Robson and Gidon Saks. The production can also be seen in Ghent on May 20, 22 and 27 (03-233 6685)

■ BRUSSELS

Monnaie Tonight: Antonio Pappano conducts final performance of Willy Decker's production of Peter Grimes, with William Cochran, Susan Chilcott and Gregory Yurisich. Sat, Sun (Palais des Beaux-Arts): Michael Gielen conducts Schoenberg's A Survivor from Warsaw and Beethoven's Ninth Symphony (02-218 1211)

■ CHICAGO

Orchestra Hall Tonight: Daniel Barenboim conducts Chicago Symphony Orchestra in Boulez's Notations V-VIII, plus works by Beethoven and Bruckner. Tomorrow: Barenboim is conductor and soloist in a programme including Elliott Carter's new Partita and a Mozart Piano Concerto. Sun afternoon: Brigitte Engerer piano recital. Next Mon: Wolfgang Sawallisch conducts Philadelphia Orchestra (312-435 6666)

■ GENEVA

Grand Théâtre Tonight, Thurs, Sat, next Mon: Bruno Campanella conducts Robert Carsen's production of I Capuleti e I Montecchi, with cast headed by Laura Claycomb and Jennifer Larmore. Sun: Thomas Moser song recital (022-311 2311)
Théâtre de Carouge Tonight: first night of new production of Corneille's Le Cid, directed by Simon Eine in designs by Ezio Frigerio and Franca Squarciapino. Daily except Mon till June 7 (022-343 4343)

■ UTRECHT

Vredenburg Tomorrow: Philippe Entremont conducts Netherlands Chamber Orchestra in works by Mozart, Ibert and Saint-Saens. Sat: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in Debussy, Saint-Saens, Bartok and Kodaly, with cello soloist Janos Starker. Sun: Reinbert de Leeuw conducts Schoenberg Ensemble in Schoenberg and Kagel. Next Mon: Jack Bruce, Ginger Baker and Gary Moore (030-314544)

■ VIENNA

OPERA
Staatsoper Tonight: Prokofiev's ballet Romeo and Juliet. Tomorrow, Sun, next Wed: Placido Domingo conducts John Dew's new production of I Puritani, with Edita Gruberova, Mario Giordani and Dmitri Hvorostovsky. Thurs: Colin Davis conducts Idomeneo, with Siegfried Jerusalem and Anne Sofie von Otter. Fri: Kenneth MacMillan's ballet Manon. Sat: Die Zauberflöte. Next Mon and Thurs: Der Rosenkavalier with Gwyneth Jones, Anne Sofie von Otter and Kurt Moll (51444 2955)
Theater an der Wien Sat, next Mon and Wed: Thomas Hengelbrock conducts Achim Freyer's Vienna Festival production of Iphigénie en Tauride, with Carola Höhn, Keith Lewis and Gino Quilico. May 26, 28, 30: Abbado/Miller production of Le nozze di Figaro (586 1676)

CONCERTS
Musikverein Tonight, tomorrow: Claudio Abbado conducts Berlin Philharmonic Orchestra. Thurs: Martin Haselböck conducts Wiener Akademie in works by Mozart and Schubert. Fri, Sat: Vaclav Neumann conducts Vienna Symphony Orchestra in Beethoven, Berg and Bruckner, with soprano Edith Wiens. Sun morning, next Tues evening: Carlo Maria Giulini conducts Vienna Philharmonic Orchestra in Beethoven. Sun evening: Simon Rattle conducts CBSO in Tippett and Bruckner. Mon: Philippe Entremont conducts Vienna Chamber Orchestra in Mozart and Haydn, with piano soloist Stefan Vladar (505 8190)
Konzerthaus Tonight: Jukka-Pekka Saraste conducts Deutsche Kammerphilharmonie in works by Sandström, Handel and Brahms. Tonight (Mozart Saal): Angel Romero guitar recital (712 1211)
Minoritenkirche Tonight: Dvorak opera concert by soloists from Bratislava (985 5252)

THEATRE
A new production of Goethe's Torquato Tasso, directed by Cesare Lievi, has just opened at Akademietheater (51444 2959). Repertory at Burgtheater includes Claus Peymann's production of Ibsen's Peer Gynt and Hofmannsthal's Der Schwierige (51444 2959). There is a final performance tonight at Theater an der Wien of Shakespeare's Antony and Cleopatra, directed by Peter Zadek (586 1676)

■ WASHINGTON

DANCE
● Washington Ballet is in residence at the Kennedy Center's Terrace Theater from tomorrow till Sun, with a programme including a Graham Lustig world premiere and choreographies by Choo-San Goh and Monica Levy. May 17-22: San Francisco Ballet (202-467 4600)
● Mikhail Baryshnikov's White Oak Dance Porject is in residence at Warner Theater from May 18 to 21 (202-432-seat)

MUSIC
● Christoph Eschenbach is conductor and piano soloist with National Symphony Orchestra tonight at Kennedy Center Concert Hall, in a programme of Beethoven and Tchaikovsky. Thurs, Fri afternoon, Sat, next Tues: James DePriest conducts Beethoven programme with piano soloist Awadagin Pratt. Sat afternoon: Daniel Barenboim conducts Chicago Symphony Orchestra (202-467 4600)
● Sergiu Commissiona conducts Baltimore Symphony Orchestra on Thurs, Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall, in a programme including Haydn's Trumpet Concerto (Hakan Hardenberger) and Debussy's La Mer (410-783 8000)
● Ivo Pogorelich gives a piano recital on Fri at George Mason Center for the Arts (703-993 8888)

THEATRE
● The Winter's Tale: Britain's Royal Shakespeare Company is in residence at Eisenhower Theater till May 22 (202-467 4600)
● The Misanthrope: Moliere's comedy is transposed to Hollywood in this production at Roundhouse Theater, opening on Sat (301-933 1644)
● Wings: a new musical by Jeffrey Lunden and Arthur Perlman, based on a play by Arthur Kopitt. Opens tonight at Signature Theater (703-820 9771)
● The Baltimore Waltz: the 1992 Obie Award winner by Paula Vogel takes us on a grand tour of Europe with an ailing man and his resourceful sister. Opens tomorrow at Studio Theater (202-332 3300)
● Ghosts: Ibsen's play about social and religious hypocrisy. Till June 5 at Center Stage (410-685 3200)

■ ZURICH

Opernhaus Tomorrow, Sun, next Wed: Lamberto Gardelli conducts Andrei Serban's new production of Adriana Lecouvreur, with Mara Zampieri and Neil Shicoff. Thurs, Sat: Nikolaus Harnoncourt conducts Fidelio with Gabriela Benackova and Peter Seiffert. Fri, Sun afternoon: choreographies by Bienert, Ek and Van Manen (01-262 0909)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
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SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Courting the customer

Judy Dempsey says city centres in east Germany are fighting back to attract western retailers

East Germany's city councils have had enough. For three years, they have watched large west German retailers invade the east, setting up furniture, home improvement and liquor stores in out-of-town outlets which occupy vast tracts of land miles from the urban streets full of cranes used in building refurbishment.

It was a golden opportunity to escape the rigid west German planning system. Department stores and city retailers, supported by Germany's Association of Retailers, as well as a battery of planning legislation and the city councils, made it virtually impossible to build on "greenfield" sites. These are out-of-town developments on unused land which are often subject to strict environmental controls.

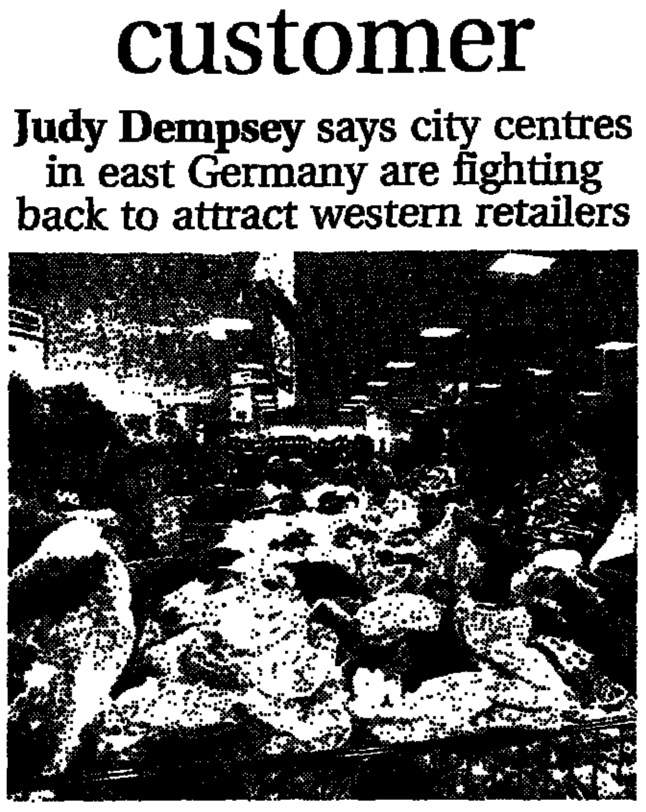
"The entire retailing sector is under-developed in west Germany," said Mr Guy Barker from Knight Frank Immobilien Consulting in Düsseldorf.

East Germany offered scope for expansion. Before unification in 1990, retailing in the east had been monopolised by the Konsumgenossenschaft co-operatives, comprising supermarkets and small shops; and the Handelsorganisation, the state-run department stores. Compared to west Germany, which has maintained a level of 1-1.2 square metres of retail space per person for several years, there were only 0.3 sq m per person in east Germany before 1989.

Once the unification treaty was signed, west German retailers rushed in. But, unlike in the west, they found city centre sites unsuitable for development – many were too expensive, and many were subject to labyrinthine property claims stretching back decades.

So they snapped up plentiful rural sites which had investment incentives in the form of tax write-offs and state grants of up to 50 per cent. The result? "The expansion has been quite incredible," said Mr Hubertus Tessar from Germany's Association of Retailers, who reckons there are now 3 sq m of retailing per person in east Germany.

The retailers had hungry customers. East Germans demonstrated an insatiable demand for consumer goods, especially for home improvement items. Mr Tessar said turnover in east German retailing last year totalled about DM120bn, compared with about DM88bn in 1992. For instance, Hornbach, the do-it-yourself west German chain store, this year expects its four outlets in east Germany to account for a quarter of its total turnover, which last year was DM750m.



Tony Andrews

East Germans have an insatiable demand for consumer goods

However, Mr Tessar expects only 1 per cent retailing growth this year largely because the attraction of greenfield sites may be diminishing. There are three reasons. The city councils are beginning to adopt a strategy aimed at correcting the imbalance between retailing outside city centres and in cities. The current ratio is about 85:15, unlike in west Germany where it is about 50:50.

'There's no doubt that the giant retailing outlets are here to stay'

Berlin and the surrounding state of Brandenburg, for example, have already adopted strict planning regulations for anybody wanting to develop retailing outlets on greenfield sites. Leipzig, in the southern state of Saxony, has followed suit and may try to block planning permission for Ikea, the Swedish furniture store, to build a plant in the region.

City councils are not primarily interested in the consumer, however. Rather, they want to recoup lost tax from the retailing sector.

Under current legislation, tax on a percentage of stores' turnover goes to the local councils on whose land the shops are located. For example, the small local council of Günthersdorf, west of Leipzig, which has a population of 650, can expect to flourish from the revenue derived from from the 100,000 sq m Saale Park shopping complex which is expected to achieve a turnover of DM850m next year. Mr Ralph Kausch, a retailing expert at Leipzig's Chamber of Commerce, reckons that the city of Leipzig is substantial losing tax income from an estimated annual DM900m turnover by retailers on greenfield sites.

"A struggle is taking place between the city government and local councils. That struggle is about how to win back consumers to the inner cities," he said recently.

Pressure on out-of-town retailers is building from another quarter. As property disputes are resolved in city centres, so more buildings will become available. Mr Barker of Immobilien Consulting believes department stores and small supermarkets geared towards convenience shopping, are poised to take on the giant retailers.

Finally, the retailers in greenfield sites confront economic problems that are a long-term result of unification. Although the east German economy is expected to grow about 7 per cent this year – after a fall in gross domestic product of about 30 per cent between 1991 and 1992 – consumer spending is slowing down as more east Germans save to provide a cushion against potential unemployment. Some retailing experts believe that as shops in city centres improve, consumers will reduce their out-of-town expeditions.

The cities, however, have some way to go to make shopping in the centre attractive. There is a dearth of parking facilities, and entering most city centres is like negotiating the gateway to a fortress. Roads are blocked by bulldozers being used to modernise the infrastructure.

More crucially, in their attempt to fight back, east German cities may be starting to adopt the outmoded practices of west German retailers. For example, instead of introducing more flexibility, restrictive shopping hours are being introduced; and instead of a competitive pricing policy, many stores are accepting the Rabattgetesz, a law dating back to 1933 which prevents retailers lowering their prices by more than 3 per cent except at designated sales times.

"Its all very well the cities trying to compete with the greenfield sites, but perhaps they could start thinking about the consumer for a change," said Mr Barker.

Until they do, any resurgence in city centre shopping will get off to a slow start. Consumers have acquired a taste for choice in products and a range of services which cities are struggling to fulfil. Mr Cy Schluter, a Frankfurt-based retailing expert, said: "That was the great thing about the initial expansion of the greenfield sites in eastern Germany. Retailers tried to break the old-fashioned pattern of the west German planning system. Even if the cities in east Germany fight back, there's no doubt that the giant retailing outlets are here to stay."

Joe Rogaly

The right question time

Yes, there should be a referendum on Europe. It could be held in 1997, if in the preceding year the European Union acquires central control over its member states. Alternatively, it might come on a hypothetical date in the wild blue yonder – say the day before a British government concludes that sterling should be melted down into a single pan-European currency, if there is one. There is no principled case for a poll now, and even less for a ballot in which the question would be, as Mr William Cash puts it, "Do you want a federal Europe?" That would be as sensible a barometer of opinion as "Should we eat the firstborn?"

A quickie summer referendum whose purpose was to save the Conservative party would be pointless. No constitutional precept would justify it. Beyond possibly buying a little time, it would not save the Tories. It is true that the then Harold Wilson achieved a (temporary) ceasefire in the Labour party by calling a plebiscite on Britain's membership of the "common market" in 1975, but four years later a sorely divided Labour government was out of office. It has not been back since.

Mr John Major may be tempted to try his luck, but he will be aware that any give on a referendum today might legitimise the already open faction fighting in his cabinet. Supposedly disciplined ministers thump their own tubs quite enough already. Heaven help the Tories if they are freed to answer questions on the single currency. The riposte canvassers are meeting on the doorsteps – "which Conservative party are you from?" – would become universal.

Yet there is a practical case for promising a plebiscite in certain circumstances. Promising because nothing is about to happen this year or next. Such a long-term undertaking would be of limited value, since no party leader can bind his or her successor. Against that, statements by leaders can act as markers.

The Conservatives should say, and mean it, that a commitment to hold a referendum on strengthening the EU will be in the next general election manifesto. They should do this on principle, not expediency. Such a strategy would be forced on them anyhow, if substantive, centralising, constitutional changes were agreed at the intergovernmental conference of 1996 – or, as Mr Norman Lamont intimates, if Britain's monetary policy was about to be controlled by a European central bank. An unconsulted public could not be expected to support the government in either endeavour.

There is no getting away from it. Important constitutional proposals should be submitted to the voters for a decision

There is no getting away from this. Important constitutional proposals should be submitted to the voters for a decision. The establishment of the European Union on the basis of the Maastricht treaty was endorsed by the general election of April 1992. That was then. Next time might be different. Suppose that in 1996 the EU crosses the line laid down by its nation states, and acquires self-sustaining sovereign powers. That would be a huge alteration in the way in which people are governed. As presently set up, even after Maastricht, the EU is a congeries of states, in constant debate about an almost infinite series of treaties and sub-treaties, ever trying to agree on pan-European rules for this and that. After the 1996 conference, it could become an embryonic super-state, the stuff of English nightmares and continental fantasies.

As Mr Paddy Ashdown has said, that would be the time to consult the people. In such a circumstance, as Mr Ashdown has not said, a general election would be an insufficient method of gauging the popular verdict, since the character of the EU would be permanently altered. There is no problem about what question should be asked. The leader of the Liberal Democrats has this one right. The entire package agreed by the member states should be put before the public. "Do you accept it?" they would be asked. "Yes or no?" When a change is significant enough to warrant mass consultation, the question usually sets itself. Should Scotland have its own parliament? Should the first-past-the-post system of voting be changed? If so, to what? Should Maastricht II be enacted?

This last proposition is acknowledged by passionate British advocates of a federal Europe, such as the European Movement. You will appreciate the flavour of the EM if you reflect on the choice of Sir Edward Heath to deliver the keynote address at its weekend "rally for European democracy". The meeting was called to debate a text for British Europhiles, published last week under the title "Reform of the European Union".

We may rest assured that Mr Major will not take up this package. He will be aware that the EM's proposals could only be put forward by a Conservative prime minister on his last day in office. There is no need to go into detail. Just note that the movement would strengthen the European Parliament and place the administration of justice, as well as foreign and security policy, under the central control of an evolving quasi-state. Whoa there. Justice and security are the separate "pillars" for which Mr Major fought so hard at Maastricht.

On one point, however, the EM might find all sides in agreement. It proposes that the new constitution should not come into force until it has been approved ... "in referenda to be held simultaneously throughout the Union". As it says, "such a constitution requires a large consensus among the citizens, as well as very thorough preparation by its drafters". The EM does not believe this will be achieved by 1996, so we can assume that its proposed referenda might not take place much before the close of the century.

This prolonged timetable has been used as camouflage by Mr John Smith, the Labour leader, as it has been by ministers who seek cover while the flak flies all around them. Scarred, perhaps, by his experience of the Scottish referendum of March 1979, Mr Smith has been consistently against a Maastricht ballot. "Normally decisions are taken by Parliament," he said yesterday. "But this is a decision that is so far ahead that we can consider all these matters carefully much nearer the time." Translated, that means: "I'm still keeping my mouth shut, and watching the Tories destroy themselves." Some Conservatives admire this Trappist strategy but the voters may not reward him for it. Mr Smith has proffered a referendum on proportional representation, to keep his party together. He should think about promising one on a centralised Europe, or a single currency. Why? Because it would be right.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Three-point solution to Turkey's ills

From Professor S. Theofanides.

Sir, There is a pragmatic solution to Turkey's economic problems ("No delight at Turkish central bank plan", April 28):

1. Reduction of the unproductive military expenditure to 1 per cent of gross national product – the level of nearly all countries. This will be the best therapy for budget deficits and chronic inflation. The reallocation of resources for productive uses will speed up growth – another important national goal.

2. Withdrawal of Turkish military forces from Cyprus following the United Nations plan. This will give Greece the green light for freeing EU funds to Turkey which are needed for the external economic stability of the country.

3. Offer complete autonomy to the Kurds in the framework of a federal organisation following the Treaty of Sèvres (1920). This will promote domestic and international stability – a necessary condition for progress.

Athenian Lysistrata could teach Mrs Tansu Çiller, Turkey's prime minister, it is better to make love and not war.

S. Theofanides,
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Athens 176 71, Greece

Short-termism a political fault

From Mr Philip Turner.

Sir, A future Labour government "would seek to reform companies law to counter the culture of City short-termism which the party believes is harming industry", according to David Owen's article, "Labour vows to combat City 'short-termism'" (May 3).

The Conservatives, too, it seems, have identified "short-termism" in the City as a weakness.

Is this not a case of the pot calling the kettle black? All too often, politicians' horizons seem to be limited to the next election. Expenditure commitments made to court short-term popularity lead to an excessive tax burden in the future. Cheese paring today to keep the expenditure numbers down only results in higher spending later.

What is seen as short-termism by company managements is often a response to their owners' wishes. Is this such a bad thing? It is certainly better than allowing managements to become unaccountable, as the record of the public sector shows. If investors seem to place too much emphasis on the short term, this is in part unavoidable: after all, the near future is more foreseeable than the distant future. Managements can help the many investors who do try to take a longer view by taking care to keep them properly informed of future plans.

For both managements and investors, long-term planning is more difficult than it should be because of constant changes in government policy: the stop-go economy and the ever-shifting taxation rules. Major, Smith and Co should deal with their own short-termism before they blame the City.

Philip Turner,
deputy chief executive,
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39 Victoria Street,
London SW1H 0EE

Decisions are for others to make

From Mr Stephen Pierce.

Sir, In his excellent article "On the road to procrastination" (May 4), Adrian Furnham details the six most favoured methods of avoiding decisions, all of which are important techniques for the up and coming manager.

However, there are three others well worth a try:

● The 'Haven't got time/tear jerker' method. Here, the decision-maker will state plainly that he/she hasn't got time to consider the problem, but cleverly manages to come up with a reason which makes the requester feel a schmuck. For example: "The CEO has just asked for a report. I'm probably going to have to work the whole weekend as it is." Absence or resignation of a key member of staff also works.

Failing any internal excuse to latch on to, a close relation just admitted to intensive care is usually a winner.

● The 'Pass the buck' method. For example: "Do ask John, he has the latest figures" or "that will have to go before the board. Pity you've just missed the last meeting, next one is in a couple of months."

● The 'I'm glad you called' method, followed by a swift change of subject and ending with the requester being given something to investigate. The decision-maker should speak quickly and, where fitted, should turn down his/her hearing aid. It works best on the telephone so that persistent requesters can be cut off with, "I must go, John's just arrived for a meeting," or as a last resort, a phone malfunction.

It would be interesting to hear other experiences from your readers.

Stephen Pierce,
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Lloyd's short on information for Names

From Mr R. Ian Wood.

Sir, I think Lex (May 4) is somewhat premature in congratulating Lloyd's on its proposals for a market in syndicate participations.

In order to have an efficient market, all the participants must have access to the relevant information. If Names are denied information on their trading, then we shall have a false market. At the moment, for instance, only a limited number of syndicates issue interim reports, and some of them only produce them after the year is over. To add insult to injury my agent informs me – in the nicest possible way – that I have no right to see the interim reports, such as they are, and that he only sends them to me (when he can find the time) out of the goodness of his heart. From time to time – and particularly about now – one hears or reads in the press that syndicates have issued profit warnings.

The individual Name is not sent these warnings, but has to wait for his agent to send the annual consolidated statement. It is all very reminiscent of the situation of the small investor in the stock market 40 years ago. No, Lloyds has got a long, long way to go yet!

Finally, it is intriguing, is it not, to see that (single) corporate syndicates will be allowed one-year accounting. So it can be done after all?

R. Ian Wood,
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Quandary

From Mr Rohit Shah.

Sir, Jancis Robinson states in the Business Travel column (May 9): "...together with the generally dehydrating effect of air travel...it is essential to alternate non-alcoholic drinks with alcoholic ones."

As a teetotaller, I am left in a quandary; or does Jancis Robinson mean "it is essential to alternate alcoholic drinks with non-alcoholic ones."

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Women in management is also a little-understood issue for men

From Ms Susan Clayton.

Sir, Is it not time to face the fact that "women in management" is not just a women's issue? The male-dominated working practices that Lady Howe refers to ("Resources must not be wasted", May 6) are created by men, not out of anti-feminism, rather out of a different way of relating to the world (Hedda Bird's letter of May 6). "Women in management" is as much a men's issue!

There is very little inquiry into understanding how men really view women coming into management, or the issues this throws up for men. What efforts are there to support and challenge men on the new position that they find themselves in?

For example, can men admit to feeling threatened, do they understand the skills that women bring into management, do they actually want to understand these skills? Do men trust the intuitive skills that women can bring into management? In getting to grips with strategy, do men appreciate the strengths that women bring; their abilities to identify the values of the organisation and its commercial environment?

When we begin to face up to the real problem, there are many unanswered questions and many questions never asked.

One way of dealing with the problem is to encourage men and women to ask questions and express their positions face to face; to dispel myths about each other and gain a real appreciation of their different ways of operating; to discover their complementary qualities as well as those that conflict.

Only then will men and women executives engage with each other at a level that can make a positive and permanent difference to men and women together in management.

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FINANCIAL TIMES

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Rules of the new gas game

Had it not been so long delayed, yesterday's consultation paper on the future of the UK gas market would probably have earned only routine comment. Most of it contains technical proposals for fleshing out last year's decision to abolish British Gas' monopoly; it is about detail rather than principle.

Instead, the Department of Trade and Industry spent much of the day fending off accusations that its plans will trigger sharp increases in gas prices, and result in the poor and elderly being cut off from supplies. It has only itself to blame for this. But now that the consultation process is finally under way, the pace must be maintained because there is not much time if liberalisation is to be achieved by the 1998 deadline.

The test of the document is whether it points the way to a competitive market without sacrificing safety or diluting the social obligations that go with a domestic gas supply.

The basic organisational proposals look sound. There is to be a transitional phase during which competition will only be introduced in small measure, and some regulatory controls may continue beyond 1998 to prevent abrupt changes. British Gas may end up playing a special part for some years yet because of its market dominance and ownership of the transportation system. But it would be compensated for this.

New suppliers would have to demonstrate financial strength and access to gas supplies before they could be licensed. They would also have to take on British Gas-style obligations to supply all-comers in their chosen franchise regions. A new Network Code would ensure that the players in the new game behaved. If one of them failed, the rest would pick up the pieces under a proposed bonding or insurance scheme.

Where the document is less clear, and therefore less convincing, is over pricing. It acknowledges that, as the cross-subsidies in British Gas's present prices are squeezed out, there will be a process of "rebalancing". Furthermore, consumers who live a long way from the gas terminals could end up paying more because of the greater role that transportation costs will play in the new regime.

The government's answer to these concerns is its faith in the market's ability to drive prices down. That faith will be strongly challenged in the confrontational climate which has greeted the document, and the government appears to have anticipated this by hinting that published tariffs may be required and that price controls could be extended.

It is reasonable for the government to be concerned about preventing the entry of unreliable operators into the supply of a basic fuel, but the tone of the document betrays a worrying nervousness about price liberalisation. Independent gas suppliers were less than enthralled by what they saw yesterday. As it firms up the rules, the government will need to ensure that they are sufficiently attractive to draw in the new competitors without whom deregulation will fail.

Centre left

Hungarian voters shrugged off attempts to revive bitter memories of the 1956 Budapest rising against Soviet-imposed socialism as they voted over the weekend. In the first round of a complex two-part election they deserted the conservative Hungarian Democratic Forum which steered the country through the first four painful years of post-communist readjustment. Instead, like their counterparts in Poland and Lithuania, they voted heavily for a revamped socialist party led by men who received their political training and wielded power in the former communist regime.

In three weeks the electorate will return to the polls for the final round of voting which will determine the shape of the next government. This will most probably be a coalition between the Socialists and the Free Democrats.

But three weeks is an awfully long time in politics. The Free Democrats, a liberal grouping which emerged as the second party with just under 20 per cent of the votes against the socialists' 32 per cent, have made clear that they will use it to attract the votes of those who want to ensure that the socialists will be constrained by a strong coalition partner.

Such a coalition, with a secure parliamentary majority and basic commitment to continuing the market-based economic reforms which have attracted $7bn in foreign investment to date, would be well placed to benefit from a rising tide of economic prosperity which is now in prospect after the sacrifices demanded over the last four years.

The slow pace of recovery for an economy saddled with more than $20bn of foreign debt inherited from the former communist regime was one of the main factors leading to the loss of support for the ruling Forum. The party served Hungary well. It provided political stability for the entire four-year life of Hungary's first post-communist parliament.

But now that Moscow no longer projects its shadow over central Europe, a substantial vote for a party that calls itself socialist and promises more professional government and a slightly greater degree of income redistribution raises no fears. The important thing is that voters have chosen to keep to the centre ground, albeit shifting it slightly to the left.

Participation in the vote was high, voting took place calmly, and above all voters avoided alarming their neighbours in Slovakia and Romania by voting for those who talked of regaining Hungary's former dominant position in the Carpathian region.

By ignoring the siren songs of both the nationalist right of Istvan Csurka and the hardline communists on the left, Hungarians have helped the cause of stability in the region. They have thus improved their own chances of doing what Hungary's rulers failed to do during the 50 years when socialism was imposed from outside: narrowing the gap between their living standards and those of their western neighbours.

School testing

The government's proposals for streamlining the national curriculum in English schools, published yesterday, have been welcomed by teachers and educationalists. Mr John Patten, education secretary, has broadly accepted the reforms recommended by Sir Ron Dearing, his astute curriculum adviser. It remains to be seen, however, whether he can deliver the other half of the package: comprehensive and objective testing to ensure that all children achieve higher educational standards.

In line with Sir Ron's recommendations, the new national curriculum aims to fill no more than 80 per cent of school time for most children. It is closely focused on basic skills such as literacy and numeracy. The controversial technology curriculum has also been revised to emphasise the importance of work skills and specify a coherent body of knowledge.

There remain, however, disquieting signs of Mr Patten's recurrent desire to harness schools to populist causes. The streamlined curriculum gives greater weight to team games and competitive sports, even for older children who might prefer fitness activities or individual pursuits. And Mr Patten's repeated interference in sex education has irritated health professionals who say that his guidelines will do nothing to curb the growth in teenage pregnancies and sexually-transmitted diseases.

This penchant for publicity-grabbing initiatives alienates teachers and alarms parents. And it unnecessarily draws education into short-term political controversy. That makes it harder to win acceptance for the curriculum proposals which are essential to raising the quality of education. Successive reports have indicated the failure of English schools to equip a large minority of school-leavers with even basic skills. Inspectors' reports too often find that pupils are not sufficiently challenged by the teaching they receive, particularly in inner-city schools.

Getting the curriculum right is only one step in addressing these shortcomings, however. It is just as important to ensure that schools are teaching the new curriculum properly. The new independent schools inspectorate can contribute to that with its more frequent inspections and well-publicised reports to parents. Equally important is the regular testing of schoolchildren to see whether they are reaching satisfactory standards.

Yet testing remains disrupted by a boycott by the National Union of Teachers, the largest teachers' union. The boycott is largely ideological in motive – it is against the principle of objective, external testing. Unlike last year, it is opposed by unions representing the majority of teachers. Yet this year's tests appear to have been severely disrupted by the minority's action. Mr Patten's priority now must be to restore momentum to the testing programme so that parents and employers can have confidence that the national curriculum is more than just good intention.

They're all in this together

How long will South Africa's spirit of reconciliation last under Mandela, ask Patti Waldmeir and Michael Holman

South Africa has been stunned by its first brush with democracy. For citizens of mature nations, to whom democracy is an old and devalued friend, voting is a banal political act uninspired by higher emotion. But South Africans came to the polls as political virgins: with their naivety and their faith, they cast their ballots overwhelmingly for the ideal of one nation, undivided by race. More than anything else, South Africa's future will depend on the success of efforts to realise that ideal.

Nelson Mandela, who will today be inaugurated as the first president of a united South Africa, has devoted his life to that goal. He never lets the subject drop: every speech, including yesterday's address in Cape Town after he was elected president, stresses the need to reconcile South Africans to a common destiny.

Constantly, he repeats the words he first uttered from the dock during the Rivonia treason trial 30 years ago: "I have fought against white domination and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am prepared to die."

Mr Mandela did not have to die; outgoing President F.W. de Klerk had the wisdom and vision to prevent such a disaster. But it was a close-run thing: Mr Mandela is nearly 76, and without the adrenalin and excitement of his release and the subsequent four years of political change, he might well have begun to fail. But Mr de Klerk knew that no other black leader would offer whites a better deal, and he desperately feared a race war. So he took the first inevitable step to racial reconciliation; the rest is up to Mr Mandela.

The legacy of the recent elections will be no small help to him in this task. For as the chairman of the discredited Independent Electoral Commission, Judge Johann Kriegler, pointed out, the exercise had more to do with reconciling people than reconciling votes. (A convenient excuse from a man who proved completely unequal to the job of running a modern election, but true even so.)

So ballots were not reconciled, and their legitimacy could not be proved. Perhaps that was just as well, for it gave political leaders the excuse to do their own kind of reconciliation: sharing out power more as they thought the voters ought to have done, than as they probably did; providing what one political insider called a "designer outcome" to a messy and chaotic election. One local newspaper called it "a dream come true"; those less given to hyperbole nonetheless thanked God (who pops up often in South African political discourse) for such a neat and happy outcome.

For despite the electoral bungling and administrative farce which attended the birth of South African democracy, the politicians have delivered a result which stands a good chance of guaranteeing stability in years to come: a deal which binds all the major parties to the constitution, and leaves only the tiniest fringe to the left and right in extra-parliamentary opposition.

The African National Congress is strong, but not dominant: it did not gain the two-thirds of the national vote which would have made it simpler to force through its ideas on a new constitution. And crucially, it did not win control of two important provinces, KwaZulu Natal, with a fifth of the country's population, and the western Cape. True to form, Mr Mandela welcomed his party's failure to pass the two-thirds threshold, hoping this would allay white fears of black domination. That was an essential part of the "designer outcome": the ANC could not be allowed to win too many votes, or national reconciliation would be jeopardised.

The National party passed the 20 per cent psychological barrier needed to give the party the power base from which to argue for minority interests within the government of national unity. And the Inkatha Freedom party won the province of KwaZulu Natal with a fraction more than 50 per cent of the vote, giving the party a one-seat majority in the 81-member provincial assembly.

The ANC surrendered Natal – where some 15,000 people have died in the past decade in fighting which the ANC blames on the IFP – in the interests of peace. This was almost certainly the wisest course: for with Inkatha running well ahead in the polling (however crooked the results), the party of Chief Mangosuthu Buthelezi would never have accepted defeat. Inkatha is likely to prove much less belligerent within government than outside; and it now has a vested interest in the success of the new order.

Mandela welcomed the failure to pass the two-thirds threshold, hoping this would allay white fears of black domination

The result has left South Africans in a pleasurable state of shock. The unimaginable is constantly made fact; sad old truths have been forgotten and the twin burdens of guilt and oppression lifted from the national spirit.

The momentousness of what has happened – long foreseen but not quite grasped – strikes home in the images of the new South Africa. Mr Mandela addresses the media from the steps of Tuinhuis, the elegant Cape Dutch mansion which houses the presidential offices; in this building five years ago, he took tea as a prisoner with outgoing President P.W. Botha, returning to his cell after tea was served. He poses for photos on the steps of the tri-cameral parliament constituted expressly to exclude blacks, and places his hand over his heart in allegiance as an official band plays Die Stem, the anthem of apartheid (now one of South Africa's two national anthems).

In the historic Raadsaal (council chamber) in Bloemfontein, capital of the Orange Free State (last used at the turn of the century to house the parliament of the Orange Free State Boer republic), Patrick Lekota of the African National Congress is sworn in as premier of the new province of the same name. Five years ago, Lekota was serving a 12-year sentence for treason against the South African state. Now he is one of the most powerful men in the land.

This scene is repeated throughout the country, as former prisoners take the salute from their captors. And every provincial premier conveys the same message: the need for racial reconciliation and investment to build a new South Africa. That is Mr Mandela's vision: the miracle is that his subordinates seem truly to have taken it to heart.

Perhaps the spirit of reconciliation will not survive the new government's first five-year term in office; perhaps it will expire long before. But to hear the new ANC premier of the Johannesburg-Pretoria region, Mr Tokyo Sexwale, plead with the white right wing to join in the new South Africa – and not to closet themselves away in some forgotten corner of an arid homeland – is to believe that the new government's intentions are good. Mr Sekwale has even said he will forego the traditional triumphal act of African liberation: changing the names of streets and buildings to deny the European past. He understands the impact this would have on the white psyche, and seeks to avoid it.

It is hard to see how such generous impulses could have survived the depredations of apartheid, but they have done: only 1.25 per cent of the electorate voted for a party whose appeal (though not its official platform) is based on black revenge, the Pan Africanist Congress. And though 400,000 whites voted for Gen Constand Viljoen and his dream of an Afrikaner homeland, this is far more a cultural than a racial concept. Overwhelmingly, South Africans voted against racism.

Surely the best is over: the ANC must now dirty its hands with the politics and not just the rhetoric of nation-building

But surely the best is now over: Nelson Mandela's inauguration brings to an end the era when the ANC was unquestionably on the right side of history. It must now dirty its hands with the politics and not just the rhetoric of nation-building. Mr Mandela's good intentions will be sorely tested in this phase. For there is a contradiction inherent in the twin goals of his new government: reconciliation and improving the living standards of the black population. If blacks advance too rapidly at the expense of whites, whether in terms of job opportunities or government spending, racial relations will be strained; if they continue to lag behind, the same will happen.

In the end, race relations will worsen or improve as the economy fails or prospers, within parameters which may be set by the World Bank or the International Monetary Fund. For once equality is achieved at the ballot box, economic equality becomes the next target: no new nation can be built if the whites all leave because of economic decline, or if blacks languish forever in poverty. That is why Mr Mandela constantly appeals to whites to stay in South Africa, or return if they have left.

Despite his best intentions, however, strains could quickly develop within the government of national unity. Though Mr Mandela tried to include several parties in his cabinet – even those who did not qualify for seats under the power-sharing constitution – this could work more to his advantage than theirs. In government, collective cabinet responsibility will force them to stifle criticism except in matters grave enough to provoke resignation.

In his victory speech last week, Mr Mandela made clear that his definition of a government of national unity is one in which he gives the orders and others obey – especially when it comes to implementing the ANC's plan for black upliftment, the Reconstruction and Development Programme. Under the constitution, Mr Mandela is required to try to seek consensus on cabinet decisions; but if he cannot find it, he may act alone. When faced with a conflict of interest between his core constituency, blacks, and white privilege, he will have a hard choice to make.

The carefully crafted gestures of reconciliation which marked his election campaign will then be tested for content as well as form: the hand stretched out to Mr de Klerk in their televised debate, the embrace for Chief Buthelezi on the floor of the new national assembly, provided the visual equivalent of sound bites. The next few months will tell whether they were indeed genuine, if not quite spontaneous.

In the months and years to come, he will be called upon to implement the promises made from the dock 30 years ago: "It is not true that the enfranchisement of all will result in racial domination. Political division, based on colour, is entirely artificial and, when it disappears, so will the domination of one colour group by another. The ANC has spent half a century fighting against racialism. When it triumphs it will not change that policy."

Perhaps these will go the way of all politicians' promises, and be withdrawn by a President Mandela, toughened and strengthened by power. And ironically, racial relations could actually worsen rather than improve with the end of apartheid, as heightened black expectations are inevitably frustrated and affluent whites take the blame.

But luckily for South Africa, reconciliation does not in the end depend on the good intentions of one man and his organisation. South Africa's disparate peoples may share nothing in the way of race, language, ethnicity and ideology, but they recognise a common danger which unites them: the risk of mutually assured destruction. A capricious history brought them from Holland, India, England, Scotland, France and other parts of Africa; but over the past two weeks they have finally come to acknowledge that they share a common fate.

As the benevolent glow of the past two weeks fades from memory, that fact will remain. Mr Mandela, the statesman, Mr de Klerk, the pragmatist, Gen Constand Viljoen, the soldier, and Mangosuthu Buthelezi, the chief, all accept a common truth: they cannot live without each other. They may not like the new South Africa, but they are stuck with it. There is no turning back.

OBSERVER

Large giblets and fries

■ So there is an after-life for spit-roasted chief executives. James Robinson, former boss of American Express, has resurfaced – on the board of a rotisserie chicken chain. From a renowned southern family himself, Robinson should know all about finger-lickin' chicken. The job complements Robinson's other directorship, at Coca-Cola.

In business for 2½ years, Robinson's new interest – the Kenny Rogers Roasters, named after the country music star – has 144 outlets. Its aim? Why, to become the US's biggest rotisserie chain – in competition with Boston Chicken, of course.

Robinson rubs shoulders with some alluring names on the Roasters' board: J.P. Bolduc, chief executive of W.R. Grace; Drew Lewis, a former Reagan transport secretary; and Darien Iacocca, wife of former Chrysler boss Lee.

He could also pick up a few tips from another board member, Harvey Mackay, who lists among his book credits "Swimming with sharks without being eaten alive".

Dial-a-stick

■ Britain's Foreign Office can perhaps be forgiven for drawing a blank in trying to contact British nationals by telephone in Aden, southern Yemen, where a confusing battle has been raging.

For the southern Yemenis, in a highly effective "communications offensive" against their northern enemies, have changed all telephone area codes to their pre-unification digits. They have also declined to tell anyone what the new/old codes are.

This cunning plot fell foul of a non-digitalised telephone exchange worker in Aden. He informed a British Airways employee, who in turn contacted London. There, the news spread swiftly to the small community of Indians originally from Aden, one of whom informed the Foreign Office.

The moral? You never know when you might need your cleft stick.

Orders are orders

■ Old lags never forget. Nelson Mandela has invited two of his former jailers and an ex-prison chef to be his personal guests at today's presidential inauguration ceremony.

James Gregory, who became a combination of friend, confidante and valet during the 25 years Mandela was in his charge, retired from the prison service last year. Alongside will be the head chef of Victor Verster prison, Jack Swart.

Gregory had one problem with the invitation, which includes a chartered flight to Pretoria – he can't stand flying. But he is going none the less: "I have to view this sudden invitation from the president-elect as an order ... I can't say no."

Beastly fortune

■ What's the connection between Pope John Paul II's broken hip and the governor of Hawaii's broken date?

No joke this, but high-level diplomacy. It turns out Hawaii's governor was due to attend a beatification ceremony in Rome on May 12 of the Belgian priest, Damien de Veuster, who established Hawaii's leper colony on the island of Molokai in 1873.

But now the pontiff has mobility problems he has cancelled the ceremony, costing some London hacks a promising lunch at the Hawaii Visitors Bureau in London. The governor had hoped to brief them on his domain, but decided to abort his mission after the Pope cried off.

Rhodes Colossus

■ With the round of debt restructuring deals triggered by Latin America's debt crisis coming to a close – well, for the time being – perhaps Citicorp's vice-chairman, William Rhodes, should make himself known to the compilers of the Guinness Book of Records. He has negotiated with 41 finance ministers, 35 central bank governors and 35 chief debt negotiators. Those deliberations have collectively restructured $500bn of debt – some of it more than once.

Knightmare

■ The troubles of the UK Tory party may have helped paper over the cracks in Britain's opposition parties.

But a brief skirmish at yesterday's annual meeting of MSF, Britain's fifth biggest trade union, suggests that Labour party leader John Smith ought to enjoy his honeymoon while it lasts.

The MSF rescued Smith last year, when he was in danger of losing his battle over one-member, one-vote in selecting parliamentary candidates. Yesterday, "Red" Ted Knight, once Labour leader of the rebel Lambeth council, along with a comfortable majority of MSF members, passed a motion condemning the MSF delegates who had helped bail out Smith at the last moment.

Standing up and being counted alongside Red Ted was Dave Nellist, the former Coventry MP expelled from the Labour party, and Jim Mortimer, the Labour party's former general secretary.

OK Okie

■ A tip for society hostesses preparing for the arrival in London of Admiral William Crowe, the new ambassador to the Court of St James. President Bill Clinton's recent problems mean that Arkansas jokes are in poor taste, but jokes from the neighbouring state of Oklahoma are perfectly acceptable – provided they are told by the admiral, a native of that state.

Here's one of Crowe's favourites. A widow attending her husband's funeral is taken aback by the enthusiastic eulogy the preacher is delivering.

She turns to her son and says: "Just take a look in the casket and see if that really is Daddy in there."

FINANCIAL TIMES
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US pressures set to ease as trade figures peak

Japan's current account surplus falls to $15.76bn

By Paul Abrahams in Tokyo

Japan's current account surplus, the source of friction in relations with the US, could have reached its peak, the Ministry of Finance predicted yesterday.

The surplus fell 16.1 per cent to $15.76bn in March, with exports up 5.3 per cent at $35.6bn and imports up 10.3 per cent at $20.4bn. In addition, both the current account and trade surpluses declined in yen terms during the 1993 financial year, the first drop in three years, according to figures published by the ministry yesterday.

"Japan's current account surplus appears to be peaking now," ministry officials said. "The downward trend is obvious in yen terms, and seems to hold true even in dollar terms if figures are compared on a quarterly not monthly basis, which is more susceptible to fluctuation."

But officials warned that the politically charged dollar figure was dependent on exchange rates and the price of oil, which has been rising in recent weeks. Japan is an oil importer, and higher oil prices in recent weeks have been a reason for the shrinking surplus.

The figures will provide some relief for the US in the struggle over Japan's current account surplus. This climbed to another record during the year to March, from $125.9bn in 1992 to $130bn.

Tokyo has come under sustained pressure from Washington to boost its domestic economy and deregulate to generate increased imports. Exports last year rose 6.1 per cent to $355bn, outstripping imports, which dropped 6.9 per cent to $213bn.

In yen terms, the current account surplus fell from a record Y15,600bn (£101bn) to Y14,000bn, with exports down 8.2 per cent at Y38,300bn and imports down 7.6 per cent at Y22,900bn.

The ministry also released details of Japan's customs-cleared trade surplus during the first 20 days of April, which widened to $4.75bn from a revised $4.61bn surplus in the same period a year earlier.

The continuing weakness of the US currency played an important role in the rise, with the dollar at Y104.7 over the period, against Y115.9 a year earlier. Imports increased by 11.8 per cent to $15.26bn, while exports rose by 9.6 per cent to $20bn.

Oil companies evacuate staff from war-torn Yemen

By Mark Nicholson in Cairo

Fledgling industry faces setback from which it may never recover

Yemen's civil war, which has prompted the emergency evacuation of most foreign oil company expatriates, threatens to deliver a serious blow to an industry long seen as central to the country's economic prospects, oil executives said yesterday.

As BP, Shell, Lasmo, Clyde, British Gas and other western oil groups yesterday completed the evacuation of their staff from Sana'a in the north and Aden in the south, executives at many company headquarters said that, whatever the outcome of the fighting, there was a growing disillusionment about oil prospects in the country.

A large number of foreign countries entered into exploration contracts with Yemen after its unification in 1990.

Optimism peaked two years ago, when more than 20 companies rushed to conclude exploration deals. These were mostly in the south, after Canadian Occidental discovered viable fields in the Masila area, the north-west corner of former South Yemen.

CanOxy says it is now pumping 150,000 barrels a day from the area, production which the company says will continue despite evacuation of its staff.

CanOxy's find followed the discoveries in the mid-1980s by Hunt Oil, the Dallas-based group, in North Yemen. Yemen Hunt Oil produces most of the rest of Yemen's present output, about 320,000 b/d. It has also said production would continue.

Despite heady predictions that Yemen might eventually be capable of producing 1m or even 2m b/d, Yemen's rugged south has failed to deliver on its apparent promise.

"There's been a very significant spate of drilling," says the head of one western oil group active there. "But the results have been singularly disappointing."

Another oil company managing director, who said the war might prompt many disappointed companies to pack their bags, added: "It's now likely, particularly with this setback, that Yemen will be left only with Hunt and CanOxy."

At least two companies said privately yesterday that they expected to close their operations before the end of this year, given disappointing results and the country's heightened political instability.

CanOxy, which is continuing to explore around Masila, has already scaled down any expectations of further big finds. Shell, which has completed drilling in its concession, would say only that it would "need to look at where we go from here".

Clyde, the UK-based oil company, said yesterday it had received "some encouragement" from early drilling in its Masila concession and had no intention of leaving. "We're still optimistic," a Clyde spokesman said.

Nevertheless, diminished prospects for Yemeni oil are a serious blow to whatever political arrangement arises from the fighting in the Arabian Peninsula's poorest and most populous land.

It perhaps most seriously undermines the economic hand of Mr Ali Salem al-Beidh, the embattled southern leader, who would have depended heavily on oil to support greater economic independence for the south, following his disillusionment with the four-year-old union with the north.

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Germany considers ban on British beef

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first instance, she said.

"We have always said we would prefer to find a common solution for this BSE problem," Mr Dieter Vogel, German government spokesman, said yesterday. "If that is not possible, then we have to find a unilateral solution. It may be that the cabinet will decide on this on Wednesday."

EU agriculture ministers considered further measures to restrict the circulation of British beef at their last meeting in Luxembourg, but EU members other than Germany were satisfied with Britain's response.

The ban being proposed by Mr Seehofer would affect the import of all British cows more than three years old, and any younger animals which come from herds which have not been certified BSE-free for at least four years.

The German health minister argues that scientific research cannot exclude human infection with BSE. "No responsible politician can allow even the slightest risk to occur, given the awful consequences of a possible infection of human beings with BSE," he said.

Left wing pledges support for González

By Tom Burns in Madrid

The left wing of Spain's ruling socialist party has come to the aid of the scandal-hit government after enduring months of ostracism following prime minister Felipe González's narrow election a year ago.

Mr Alfonso Guerra, the deputy party leader whom Mr Gonzalez has tried hard to isolate, has personally signalled his support for the embattled prime minister. The astute Mr Guerra timed what may mark the return of the left to greater influence in the party with the dramatic departure from parliament of judge Baltasar Garzón, the best-known magistrate in the country, who said he was resigning his socialist seat because Mr González was not doing enough to curb corruption.

Mixing sorrow and anger in his resignation statement, Judge Garzón said he had been promised support and responsibilities to combat corruption but that neither had materialised. An independent who was personally co-opted by the prime minister to stand on the socialist ticket in last June's election, Judge Garzón bitterly said he had been used "as an electoral ploy".

His agreement to stand as a socialist candidate alongside Mr González last year played an important part in the prime minister's successful bid for a fourth term in office despite widespread public discontent.

The prime minister was, meanwhile, seeking a candidate for the key job of socialist parliamentary leader to replace Mr Carlos Solchaga, a former finance minister and the most prominent of the party's free marketeers, who resigned from the job at the end of last week.

Mr Solchaga, with Mr González's backing, had cleared left-wingers from many positions of influence in the parliament last year but his successor is now likely to have to be acceptable to Mr Guerra.

The drive towards consensus, following the departure of Judge Garzón and of Mr Solchaga, both of whom were equally controversial in the eyes of the deputy prime minister's supporters in the party apparatus, effectively means the return to the political centre stage of the *guerrista* faction.

The resurgence of Mr Guerra's supporters in the midst of the scandals surrounding the government was further evidenced at the weekend in regional socialist party congresses in Madrid and Aragón. In contrast to similar congresses in recent months, which marked a *guerrista* retreat, the left wing was able to negotiate a strong position at both conventions.

In a tell-tale sign that the pendulum has swung back, Mr Jose Maria Benegas, a leading *guerrista*, has been entrusted with running the party's campaign in the European elections next month.

THE LEX COLUMN

Choice in the pipeline

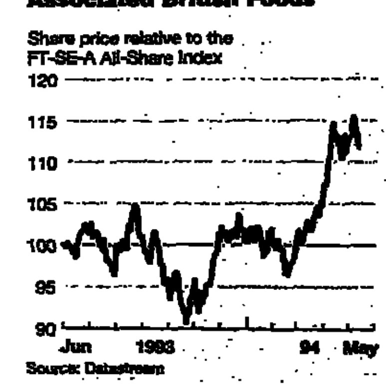
Ms Clare Spottiswoode, the gas regulator, has been true to her word. Not only has she put an end to the government's dithering over publishing their joint consultation document on how the domestic gas market should be opened to competition. More important, the framework set out in the document constitutes, as promised, a level playing field. British Gas's rivals will not be able to "cherry pick" the best customers. The company will, of course, have to cut costs even faster if it is to earn reasonable profits from this market once its monopoly is abolished. But rivals will not be given the same regulatory assistance that they received when the contract gas market was opened to competition.

At the heart of the document is a political fix: Gas's transportation arm will levy on both Gas's supply arm and its rivals an annual standing charge of £25 per customer. This level has been chosen so that, once the supply arm's fixed costs are taken into account, it will not have to put up its standing charge to customers of £37. So ministers do not need to worry about granny facing a higher gas bill. But the fix also means that the margin on supplying all classes of customer will be the same rather thin one. If there is any cream to skim, rivals will have collect it with skill rather than scooping it up in ladles.

All players will have to meet the same regulatory requirements as Gas on matters such as security of supply and disconnection. That should keep the quick buck cowboys out of the market. And though Gas's transportation arm may retain back-up roles for safety and security of supply, it will be paid a commercial rate for doing so. Gas's prospects still depend on a further Ofgas document setting out the price formula for transportation. But the bull case is unlikely to alter. Ms Spottiswoode has shown herself to be rational and fair once. She can be expected to do so again.

FT-SE Index: 3097.8 (-8.2)

Associated British Foods



Source: Datastream

ABF

Perhaps it was because the market was expecting an appetising deal from Associated British Foods – in the form, say, of the acquisition of Allied-Lyons' food business – that its shares fell more than 2 per cent yesterday. The restructuring of the Weston family holding has no bearing at all on the company's operating performance. Outside shareholders are being offered a 10p sweetener from the family's coffers to persuade them to read and act on the thick documentation that accompanies the deal. Admittedly, the ultimate effect on the share price may be marginally negative. After two years, family members will be free to sell their shares and the overhang may reduce their rarity value.

Yet all this is still a long way off. Similarly, the recognition that the family ownership structure needs to be adjusted to meet the needs of a new and younger generation also serves as a reminder that Mr Garry Weston will not be at the helm for ever. But there is no question of the family relinquishing control. The long term approach which has characterised management decision-making in the past seems set to continue.

Mr Weston was keeping his own counsel yesterday on the subject of acquisitions. ABF itself, though, will have just as much cash after the deal as it did before: the cash which is flowing back to family members comes from their GWH holding company rather than ABF.

Having already accumulated £500m, ABF cannot afford to keep on piling up cash indefinitely. On the basis of April's purchase of Bibby's feed mills, the US agribusiness looks more enticing than Allied's food business which would make ABF more vulnerable to margin pressure from supermarkets.

Kemper

Kemper's decision to open its books to bidders looks wholly pragmatic. Management must have reasoned that it would be better to bow out gracefully than run the risk of being evicted by supporters of GE Capital's bid at the shareholders meeting originally scheduled for tomorrow. Yet it is difficult to see where a white knight will come from.

Mr Sanford Weill's Travelers would have been an obvious suitor. But its recent acquisition in insurance and sagging share price must have dulled its appetite for big deals. Kemper's business mix complicates matters. Any US bank interested in mutual funds would have to divest the life insurance operation for regulatory reasons. Neither is there a long list of potential European bidders. Banco Santander, which already has a small stake in Kemper, has its hands full with the rescue of Banesto. Most European insurers with ambitions in US retail savings are either too small or have other strategic priorities.

It is always possible that the investment bankers will find a way of dismembering Kemper, especially if a buyer for the troubled property portfolio can be found. But splitting the group is unlikely to release much value for shareholders. The breadth of Kemper's product range may actually be an asset, allowing it to sell both mutual funds and annuities depending on market conditions. On that reasoning, the group is worth more to GE Capital than the sum of its parts.

US bonds

Having failed to tighten monetary policy yesterday, the Federal Reserve has little leeway before the end of the week. Barring a rate increase first thing today, it could not act without disrupting the Treasury's $29bn bond market refunding operation which takes place over the next two days. Concern about the impact on the bond market of another rate increase may have held up any move yesterday, but the Fed is between a rock and a hard place. If the dollar falls because the authorities have done nothing to back up last week's intervention, the bond market will probably weaken anyway.

Indeed, the nervousness of both currency and bond markets argues increasingly for a substantial tightening when it finally happens. At current yields, US bonds offer fundamental value, but overseas investors are reluctant to jump in because of the Fed's gradualist approach. Only when the tightening process is perceived to be complete are overseas buyers likely to return in force. The resulting capital inflow might help the dollar too.

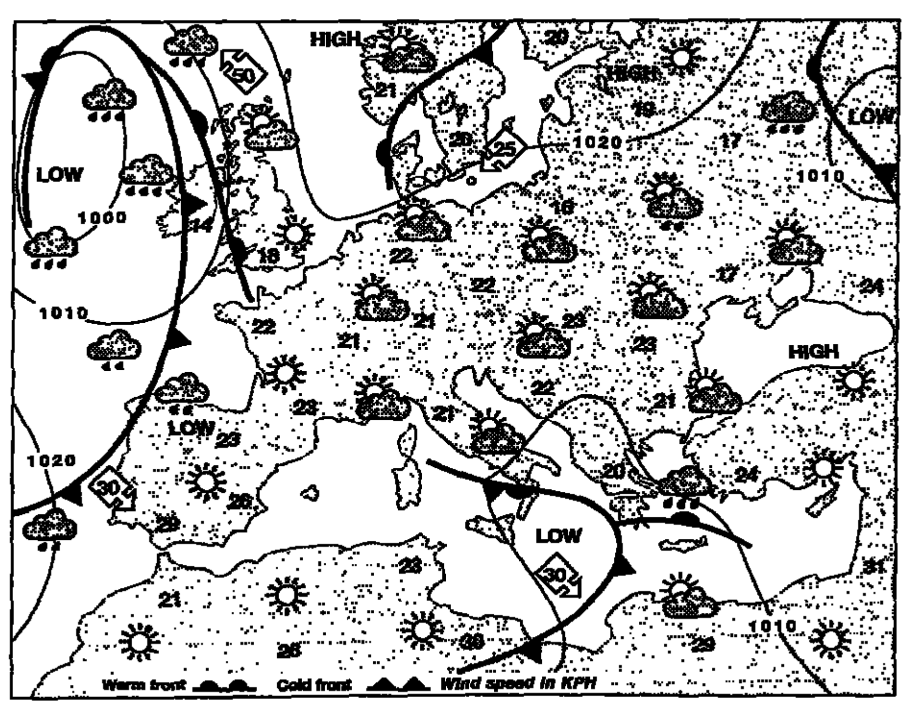
FT WEATHER GUIDE

Europe today

High pressure over northern Europe will extend over central and western Europe. As a result, Sweden and Finland will be mainly sunny with above normal temperatures. Germany, the Low Countries and France will be sunny with only an isolated shower in the Alps. Spain and Portugal will be sunny, except for north-west Portugal where cloud will prevail and rain is likely. England will have sunny periods, but Ireland will have cloud and showers from an Atlantic low pressure system. Parts of south-east Europe, including Greece and southern Italy, will have some heavy showers, especially during the afternoon. It will be unseasonably cool, with maximum temperatures below 20C in some areas.

Five-day forecast

High pressure in the north will persist, resulting in dry conditions in Scandinavia and much of central Europe. Low pressure from the Atlantic will draw much cooler air into Spain and France, giving rise to thundery showers over Spain, France and the Low Countries. South-east Europe will become warmer and sunnier.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	36
Accra	fair	33
Algiers	fair	26
Amsterdam	fair	18
Athens	shower	22
Atlanta	sun	28
B. Aires	fair	17
B.ham	fair	19
Bangkok	thund	32
Barcelona	sun	22
Beijing	fair	26
Belfast	rain	15
Belgrade	fair	23
Berlin	sun	23
Bermuda	fair	28
Bogota	fair	18
Bombay	fair	33
Brussels	fair	19
Budapest	fair	21
C.hagen	sun	18
Cairo	sun	33
Cape Town	fair	26
Caracas	cloudy	28
Cardiff	fair	19
Casablanca	fair	20
Chicago	sun	19
Cologne	fair	21
D' Salaam	fair	30
Dakar	sun	25
Dallas	thund	27
Delhi	sun	41
Dubai	sun	38
Dublin	rain	14
Dubrovnik	fair	22
Edinburgh	fair	15
Faro	fair	23
Frankfurt	fair	23
Geneva	fair	21
Gibraltar	fair	26
Glasgow	fair	17
Hamburg	cloudy	20
Helsinki	sun	23
Hong Kong	rain	30
Honolulu	sun	31
Istanbul	rain	18
Jersey	cloudy	15
Karachi	sun	38
Kuwait	sun	34
L. Angeles	sun	21
Las Palmas	fair	23
Lima	fair	22
Lisbon	fair	21
London	fair	20
Lux.bourg	cloudy	20
Lyon	fair	21
Madeira	cloudy	21
Madrid	fair	28
Majorca	fair	24
Malta	shower	22
Manchester	fair	19
Manila	fog	33
Melbourne	drzzl	14
Mexico City	fair	25
Miami	fair	31
Milan	fair	25
Montreal	fair	8
Moscow	fair	19
Munich	fair	21
Nairobi	fair	25
Naples	shower	22
Nassau	sun	29
New York	fair	20
Nice	fair	19
Nicosia	fair	25
Oslo	sun	21
Paris	sun	22
Perth	cloudy	24
Prague	sun	21
Rangoon	cloudy	33
Reykjavik	fair	10
Rio	shower	24
Rome	fair	21
S. Frsco	sun	23
Seoul	shower	24
Singapore	shower	30
Stockholm	fair	21
Strasbourg	fair	22
Sydney	cloudy	18
Tangier	fair	20
Tel Aviv	sun	28
Tokyo	sun	26
Toronto	fair	10
Vancouver	cloudy	18
Venice	fair	23
Vienna	sun	23
Warsaw	fair	16
Washington	sun	24
Wellington	fair	14
Winnipeg	rain	13
Zurich	fair	20

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

CS Holding goes cold on bank deal

It is unlikely that CS Holding, the big Swiss international financial group, will pursue its interest in buying from the Austrian finance ministry a large part of its controlling stake in Creditanstalt-Bankverein, the country's second-largest bank. Page 18

State sells 70% of Air Jamaica
The Jamaican government has sold 70 per cent of Air Jamaica to a consortium of local and Canadian investors for US$26.5m – a further 5 per cent will be offered to employees with the government retaining 25 per cent. Page 20

AGF to forge link with SocGen
Assurances Générales de France (AGF), one of France's largest insurance groups, is to forge closer links with Société Générale after its privatisation, rather than Crédit Lyonnais. Page 20

Berliner Bank to raise divided
Berliner Bank, now Germany's sixth largest bank following its merger with two other banks, has said it will raise its dividend by DM7 to DM9 on last year's high partial operating profits and operating results. Page 21

Tough year for Traub and Heckert
Last September's union of Traub and Heckert, two German machine-tool makers, took place against the background of one of the worst recessions in many years – but nobody said it was going to be easy. Page 21

Meridien Biao plans African expansion
South Africa's transition to democracy is encouraging at least one pan-African banking network to expand through the continent. Page 22

Rise of a Malaysian businessman
Since relatively modest beginnings of a corporate career in bicycles in the early 1980s, Mr Tajudin Ramli now plans to take over the running of Malaysia Airlines (MAS). Page 22

N Brown profits increase 18%
N Brown, the UK's Manchester-based direct mail order group which specialises in clothing for older women, yesterday reported an 18 per cent increase in full year pre-tax profits. Page 24

Babcock ends year with £41m deficit
Babcock International, the engineering contracting and materials handling group, has announced pre-tax losses of £41.2m ($60.15m) for the year ended March 31, compared with a profit of £21.1m ($30.8m) last time. Page 24

Pausing for breath at B&J
Shareholders in Brown & Jackson, UK owner of the country's loss-making Poundstretcher chain, have several weeks to weigh rival offers for the group, following an adjournment of the egm called to approve a capital injection by millionaire couple the Weisfelds. Page 25

Costain shares fall on US profits news
Shares in Costain, the UK construction and mining group, fell almost a tenth yesterday following a warning that US coal profits had been hit by bad winter weather and operational problems for the first three months of this year. Page 25

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Goldschmidt	850	+	10	Geophysique	599	+	22
MAN	450	+	8.5	Soc Generale	634	+	7
Falls				**Falls**			
Bayer Vereins	492.5	–	12.5	AXA	1353	–	36
Daimler Benz	879	–	12.5	Cred Lyon	512	–	13
Leifheit	780	–	20	LVMH	894	–	28
Wella	935	–	20	Michelin B	240	–	10.8
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Kemper	59⅝	+	2⅛	General Sekiya	1250	+	30
McKesson	78	+	4	Showa Shell	1410	+	30
Schering-Plough	63⅞	+	¾	Sumitomo Metal	901	+	5
Falls				**Falls**			
Gen Elec	95¼	–	1½	Dai-Ichi Kangyo	1930	–	20
Philip Morris	50⅜	–	1⅞	Sony	5810	–	90
RJR Nabisco	6	–	¼	Toyota Motor	1960	–	20

New York prices at 12.30.

LONDON (Pence)							
Rises				Canadian Pizza	107	–	6
Alphameric	42	+	4	Costain	30½	–	2½
Body Shop	244	+	7	Euro Disney	343	–	20
CIA	140	+	9	Eurotunnel Uts	422	–	28
Chrysalis	172	+	8	Harrington Kilb	138	–	14
Electron House	154	+	9	Johnson Fry	245	–	13
Holt (Joseph)	3255	+	80	Keller	122	–	6
Johnston Grp	217	+	13	Manchester Utd	850	–	23
Lynx Hldgs	52	+	3	Parkland	220	–	18
MAID	74	+	4	Phonelink	384	–	46
Ransomes	30	+	3	Sharelink	308	–	18
Royal Bk Scot	428	+	21				
Wembley	12	+	1½				
Falls							

Daimler in $250m Singapore placing

By David Waller in Frankfurt

Daimler-Benz, Germany's biggest industrial company, is planning to place $250m-$300m worth of new shares in Singapore when it holds its long-awaited rights issue later this year, the group's finance director said yesterday.

Speaking before Daimler-Benz was today due to become the first German company to acquire a listing on the Singapore stock exchange, Mr Gerhard Liener said the planned share placement would be part of the car to aircraft group's strategy of internationalising its shareholder base.

Last year Daimler overcame German industry's traditional objections to US-style accounting disclosure and became the first German company to obtain a full listing on the New York Stock Exchange, the world's largest capital market.

The group plans further listings in Madrid, Milan and Shanghai, Mr Liener said in Singapore yesterday. "With Singapore we have decided to introduce our stock on the most dynamic capital market in this region of the world," he said.

Mr Liener explained that Daimler-Benz hoped to raise up to $2bn from the issue of new shares, of which at least 10 per cent would be placed in Singapore. The cash is required to finance the group's growth and the issue would take place later this year, Daimler disclosed recently.

While 30 to 35 per cent of Daimler's shares are owned outside Germany, the group is pursuing further internationalisation partly in order to support geographical expansion of its core car business.

Mr Liener hoped that the listing would support its rapidly growing sales in south-east Asia – revenues in the region rose 36 per cent to DM1.6bn ($930m) last year.

As part of its expansion, Daimler is planning to open a Regional Parts Centre in Singapore. This would provide support for the group's commercial vehicle activities in the region.

Mr Liener said the group expected to double its sales of commercial vehicles in Singapore, Thailand, Malaysia, Taiwan, Hong Kong and the Philippines this year. The group has also received official permission to start assembling buses and commercial vehicles in Vietnam, said Mr Liener.

While Daimler has been roundly denounced in Germany by other large companies for its unilateral move in listing its shares in New York, German private and public sector institutions are making increasing use of foreign investors as a source of finance. The most recent example is Dresdner Bank's international placing of new shares to raise DM1.14bn, concluded last Friday.

Kemper advisers seek higher offer

By Richard Waters in New York

Advisers to Kemper, the US investment group, were contacting other possible bidders for the company yesterday in an attempt to elicit a higher price than the $60 a share offered by GE Capital.

The company's board bowed to pressure over the weekend from GE Capital to agree a sale, after the financial services arm of General Electric raised its bid from $55 a share.

"We are hoping that we will get more than $60 a share – possibly much more," Kemper said. It added that it had received "several approaches" from potential bidders after GE Capital first announced in March its interest in acquiring the company, though it was premature to judge whether or not any of these companies would make a formal bid.

However, Kemper's share price failed to rise above $60 yesterday, a sign that few traders think the investment group will attract a higher offer. The price reached the level of GE's bid early in the morning, before slipping back to $59⅝ – a gain on the day of $2⅛.

The mix of Kemper's business, and the fact that GE Capital has offered $2.4bn in cash, has left many traders convinced that the GE financial services arm will win control.

Kemper's prize assets are its life insurance business and its mutual funds. Its $1.7bn property portfolio and a struggling retail stockbroking network, however, make it unattractive to many financial groups, which are still shaking off the effects of the late-1980s property crash.

Other bidders could find it hard to match the all-cash element of the deal, and the share prices of most US financial groups have been under pressure since the Federal Reserve began raising rates in early February, undermining their stock as a takeover currency.

Travelers, the acquisitive financial services group headed by Mr Sanford Weill, has been seen as the most likely rival bidder. Mr Weill recently foresaw further consolidation among insurance companies and fund management groups in the US, and did not count out Travelers out as a buyer. However, the company (formerly known as Primerica) is still digesting two big acquisitions made recently – the takeover of the Shearson retail broker and the shares it did not already own in the Travelers insurance company.

Lex, Page 16

David Waller reports on state-owned Lufthansa's privatisation plans

Germany's airline ready to spread its wings

There is nothing Mr Jürgen Weber, chief executive of Lufthansa, dislikes more than hearing the German airline described as "state-owned".

"It suggests that we are inflexible and bureaucratic," he fumed as he explained his privatisation plans in Frankfurt last week.

After a massive reorganisation over the past two years, with further rationalisation to come, the airline no longer deserves the stigma of state ownership, Mr Weber claimed.

Indeed, his dream of a private sector Lufthansa will shortly become a reality as a result of a complex deal with the government over pension arrangements for the airline's past, present and future employees completed last week.

The mechanism for the move away from state control will be a long-awaited rights issue in which the government will not participate. By forgoing its rights to new shares, the government's stake will fall from 51.42 per cent towards 40 per cent.

The rights issue is likely to take place soon after the airline's annual meeting in early July. Later in the year, the government will start to sell off its remaining stake, Mr Theo Waigel, finance minister, said last week.

Mr Weber says the transition to the private sector will allow Lufthansa to undergo a metamorphosis as spectacular as that of British Airways, the former UK state-carrier which has evolved into one of the world's most successful airlines since it was privatised in 1987.

Mr Weber, an engineer who became the airline's chief executive in 1991, believes that the world airline industry, still groaning with overcapacity as it emerges from years of heavy losses, is due for further rationalisation and concentration. By the end of the century, the industry will be dominated by a small number of internationally competitive airlines.

A private sector Lufthansa will be one of the survivors, Mr Weber maintains.

Although the stock market did not appear to share Mr Weber's optimism last week – Lufthansa's shares dropped 6.5 per cent on Thursday to DM206.50 – this followed a long period of outperformance for the airline's shares, which have more than doubled since the beginning of last year, reflecting investors' enthusiasm for Mr Weber's rationalisation plans.

The restructuring began in 1992 after the airline incurred a pre-tax loss of DM300m ($175m) in the previous year. "We were on the brink of running aground," Mr Weber said. "It was essential to put the ship back on the right course".

Mr Weber explained the three-pronged strategy for guaranteeing the airline's survival:

● Cost-cutting. Lufthansa reduced its costs by DM1bn in 1992 and by a further DM500m last year, leading to a 15 per cent increase in productivity.

The airline trimmed its workforce from 48,000 at the beginning of 1992 to below 40,000 now and reduced the cost of materials by DM350m a year. The aim is to cut costs by another DM500m a year by 1997.

● The airline introduced new measures to boost revenue, ranging from encouraging higher standards of customer service to introducing products such as the Miles and More frequent flier programme.

These measures helped the airline increase the number of passengers carried last year by 3.8 per cent and the volume of freight by 5.4 per cent. This offset falling prices, and turnover for the parent company was flat at DM15bn, the same as in 1992.

● A new approach to partnership arrangements with other airlines.

"Rather than seek to do everything on our own we decided to grow in co-operation with other airlines," said Mr Weber.

The most tangible example of the new strategy was the link-up with United Airlines from the beginning of the current year which gave Lufthansa a long sought-after transatlantic partnership.

The full impact of these measures on the airline's financial position will become more clear next week when Lufthansa releases its 1993 group-wide figures. A hint of what is in store was provided in March when Lufthansa announced that the parent company cut its losses last year from DM296.9m in 1992 to DM50m last year while net losses dropped from DM372.8m to DM110m.

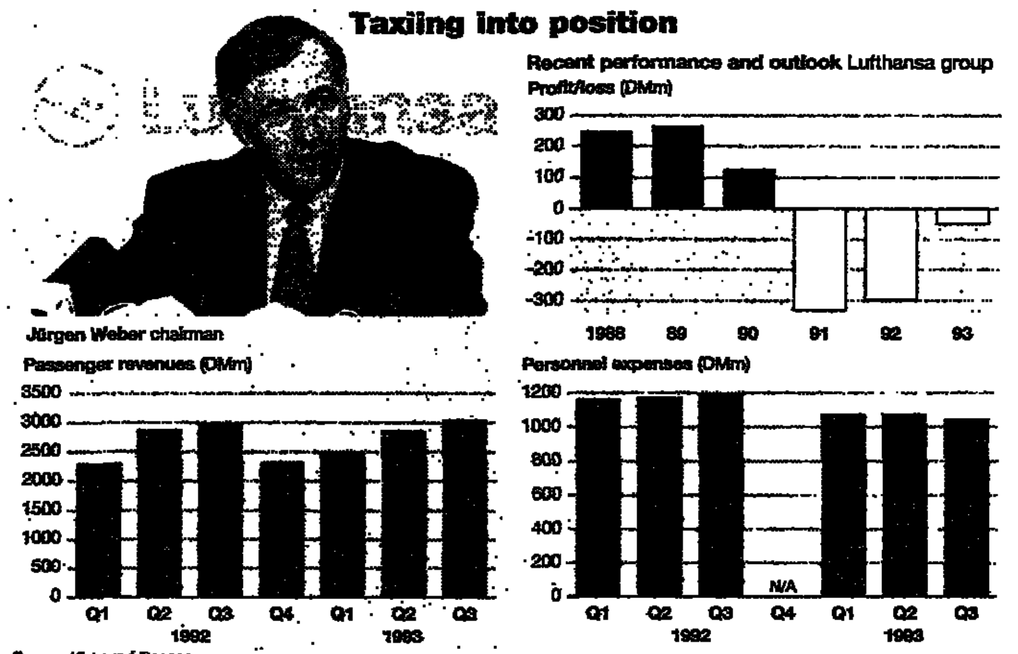
As for the current year, Mr Weber said that the airline enjoyed better than expected results in the early part of 1994 and was on course to break even at an operating level for the full year.

The spectacular share price performance over the past 18 months hints at greater things to come. "With the government as majority shareholder, the airline is still operating with one hand tied behind its back," said Ms Nuala Corry and Mr Graham Moynes at NatWest Markets in London. "One gets the feeling that they are itching to do a lot more to reduce costs."

Mr Andrew Barker at SG Warburg in London says further cuts are necessary as costs are still high by international standards – at $54,440, labour costs per employee are 15 per cent higher than BA and 19 per cent higher than at KLM.

Aware of the political sensitivities of cutting jobs, Mr Weber says that the main impact of privatisation will be "the psychological effect on employees and customers", not the opportunity to cut costs. But he is acutely aware of the harsh competitive environment in which airlines operate and a private-sector Lufthansa is likely to make further swingeing job cuts.

Taxiing into position



Jürgen Weber chairman
Source: Kleinwort Benson

Swiss bid values Cedest at FFr2.6bn

By Ian Rodger in Zurich and Alice Rawsthorn in Paris

Holderbank, the Swiss-based international cement and aggregates group, is making an agreed bid for the cement, ready-mixed concrete and aggregates operations of Ciments et Engrais de Dannes et de l'Est (Cedest), for FFr2.6bn ($456m).

The takeover, which is subject to approval by the French and European Union authorities, would double Holderbank's cement capacity in France. It would also raise its market share in northern France from 25 per cent to 35 per cent. However, it would still leave the group ranked third after Ciments Lafarge and Ciments Français.

The plan is for Holderbank to acquire 84.1 per cent of the share capital of Cedest from Compagnie Générale d'Industrie et de Participations (CGIP), at FFr2,000 per share ex-dividend for a total of FFr3.6bn.

Holderbank would simultaneously sell the abrasives and fertilisers business units of Cedest back to CGIP for FFr1bn.

Then, once official approval was achieved, it would make an offer on the Paris bourse to Cedest minority shareholders at the same price.

Holderbank said the acquisition would "round off" its holdings in France. Cedest is France's fifth-largest cement producer with a total annual production capacity of 2.7m tonnes. It also owns a cement grinding station on the island of La Réunion with annual capacity of 400,000 tonnes.

In 1993, it sold 2.1m tonnes of cement, 1.7m tonnes of ready-mixed concrete and 3.2m tonnes of aggregates.

For CGIP, the Cedest deal forms part of a programme of asset sales. The French group has for some months been trying to generate capital to replenish its resources, following a deal last year which lifted its holding in CarnaudMetalBox, the Anglo-French packaging group.

CGIP has a string of other investments, including a stake in Cap Sogeti Gemini, the computer services concern. The group earlier this year raised FFr994m from a convertible bond issue.

The Cedest disposal has left CGIP with a "war chest" worth around FFr3bn, according to the company. It said it planned to use its cash to "further develop" its role as an "entrepreneur investor" in manufacturing industry and the service sector.

Weston family plans big share shake-up at AB Foods

By Maggie Urry in London

Minority shareholders of Associated British Foods are to be offered equivalent shares in a newly quoted company and a 10p a share special dividend as part of the reorganisation of the group's ownership. The milling, baking, sugar and other food products group is controlled by a hierarchy of private companies and trusts and a charitable foundation.

The reorganisation is part of the Weston family's desire for better long-term financial planning. Much of the family's substantial wealth is tied up in two unquoted companies, Wittington Investments and George Weston Holdings, the latter having £230m ($335m) in cash which cannot be passed to family members in a tax-efficient manner.

The plan will release £130m to the family and give its members some shares in the new quoted company which will replace AB Foods. They have promised not to sell shares for two years, except in special circumstances.

The Garfield Weston Foundation, a charity which is the ultimate controller of AB Foods, will increase its indirect stake in the company from 36 to 40 per cent.

AB Foods was founded after the First World War by Mr Garfield Weston, son of Mr George Weston, a Canadian businessman. Mr Garfield Weston had nine children, all of whom are still alive. The fourth of these is Mr Garry Weston, chairman of AB Foods, and himself the father of six children, three of whom work for AB Foods. About 40 family members are involved.

Mr Garry Weston has just turned 67. His younger brother, Mr Galen Weston, 53, heads George Weston Foods, a separate Canadian company.

Apart from Mr Garry Weston and his children, virtually all the family is resident in Canada or the US. The increasing ages of the nine siblings have made the need for financial planning more urgent.

Mr Garry Weston said yesterday the family intended always to retain control of AB Foods.

Analysts expect him to remain chairman for at least another four years, by which time he will have served 50 years with the company and 31 as chairman.

They believe he will be succeeded by Mr Guy Weston, his eldest son and currently managing director of Ryvita, the job Mr Garry Weston had at 23.

The plan did not meet a warm reception in London and AB Foods shares fell 15p to 584p. Some ascribed this to disappointment that AB Foods was not announcing a large takeover deal to use its substantial cash holdings.

Mr Garry Weston admitted the group was looking at an acquisition in the US, and "other things in other places".

Lex, Page 16; Details, Page 24

Nabisco buys out partner in Spanish joint venture

By Tom Burns in Madrid

RJR Nabisco, the US food and tobacco group, yesterday exercised its option to buy the remaining 50 per cent of RJR Alimentación, the Spanish food company that it has managed for the past year as a joint venture with Tabacalera, Spain's state-controlled tobacco corporation.

The purchase of the stake, which values the company at Pta17.25bn ($125m), signals the end of an ill-fated attempt by Tabacalera to diversify into food production.

The US multinational had until March 31 1995 to exercise its option for the rest of the joint venture. Its decision to act now is part of a plan to strengthen its European food businesses.

RJR Alimentación markets Royal Brands products in Spain. These include leading biscuit and powdered puddings brands.

The core Royal Brands products were bought by Tabacalera from Nabisco when the US conglomerate sold off extensive operations, among them its European businesses, in the late 1980s. The sales were designed to pay off debts used to finance a leveraged buy-out by Kohlberg Kravis Roberts, the Wall Street investment firm.

Tabacalera spent some Pta53bn building up a food division around Royal Brands, taking on canned vegetable units, processed meat firms and juice companies, before deciding that it was more profitable to concentrate on tobacco. In July last year, it transformed its Royal Brands units into RJR Alimentación, a Nabisco-managed joint venture.

Having disposed of its food division earlier than planned, Tabacalera, which is 38 per cent owned by foreign institutions, is expected to step up a streamlining programme involving staff cuts and the closure of three of its 14 plants.

Nestlé pays $106m for stake in US ice-cream maker

By Ian Rodger

Nestlé, the world's largest foods group, is buying a substantial minority stake in Dreyer's Grand Ice Cream of Oakland, California, for $106m.

Nestlé has agreed to buy 3m Dreyer's shares at $32 a share, plus warrants to purchase a further 2m shares at the same price later.

The 5m shares would give Nestlé a 22 per cent stake in Dreyer's, which is quoted on the Nasdaq over-the-counter market.

The first part of the transaction would cost Nestlé $106m and give it the right to name two Dreyer's directors.

The two companies have agreed that Dreyer's will distribute Nestlé frozen novelties and ice cream in selected markets from next year.

Dreyer's, which sells under the Dreyer's and Edy's brand names, had consolidated net sales for the 13 weeks to March 26 of $112m, 9 per cent higher than in the same period last year. Net income was down 25.7 per cent to $1.58m, or 11 cents per common share.

Dreyer's said it was embarking on a five-year plan to accelerate the sales of its branded products. It was increasing its consumer marketing efforts and expanding its distribution system.

Bankers Trust replaces WM chief

By Norma Cohen in London

Bankers Trust, the US-based bank, has replaced the long-time chairman of WM Company, its performance measurement subsidiary, with a senior banking official. The move is aimed at building a "global" business selling its services to other bank clients.

In particular, it would like to offer performance measurement to clients of its global custody operations, which offer safekeeping for securities. WM could expand its client list by offering performance measurement to US and European pension funds, for whom it is the global custodian.

Mr Charlie Kiley, managing director of Bankers Trust Company and vice-chairman of Bankers Trust International, will be chairman, replacing Mr Dougald Eadie, who will remain as a non-executive director. Mr Eadie, who has been with WM since 1968, was chiefly responsible for developing its computer systems.

Mr Kiley will be dividing his time between WM and other duties.

Bankers Trust, which has been reviewing its London operations, has a strategy of pursuing businesses along global lines. "We made the changes because we would like to use WM more globally, and knit it into services such as custody more than it is," the company said. WM Company, which it acquired in 1987, has remained largely a UK business, and is a leading provider of performance measurement services to pension funds.

Bankers Trust bought WM partly in the hope that its clients would use the bank's index-tracking fund management services, which are among the largest in the US. However, the desired synergy did not materialise and Bankers Trust sold its UK-based index-tracking fund management business to Invesco earlier this year.

Winterthur lifted by non-life business

By Ian Rodger

Winterthur, the Swiss insurance group, has reported a 31.3 per cent jump in 1993 consolidated net income to SFr324.4m ($231.7m), due to vigorous growth in non-life business and substantial profits on investments.

The directors are recommending a 14 per cent rise in the dividend to SFr16 a share.

Consolidated gross premiums rose 5.6 per cent to SFr16.4bn in spite of the appreciation of the Swiss franc.

Pre-tax profit soared 29.5 per cent to SFr511.3m.

In the non-life business, gross premiums grew by 8 per cent and pre-tax profit jumped 30.3 per cent to SFr346.1m.

Premiums in the life business advanced only 1.6 per cent, due to the recession and exchange rate effects, but the pre-tax profit surged 27.8 per cent to SFr165.2m, due to an "excellent financial result" and an improved expense ratio.

● Swiss Life, a leading Swiss life insurer, said its consolidated surplus income in 1993 rose 1.4 per cent to SFr1.4bn.

Earned premiums were up 10.4 per cent to SFr9.3bn and investment income advanced 15.2 per cent to SFr4.2bn.

Swiss Life is a co-operative joint stock company and by statute must use its surplus income to improve or reduce the cost of insurance cover.

The directors have agreed to raise the dividend on the quoted participation certificates to SFr7 from SFr6.

Kingfisher chief in 52% pay rise

Sir Geoffrey Mulcahy, executive chairman of UK retail group Kingfisher, a 52 per cent increase in pay to £1.31m ($1.95m) last year to make him one of the UK's highest-paid directors, writes Neil Buckley in London.

Sir Geoffrey, has gained a reputation as one of the UK's most astute retailers through his stewardship of Kingfisher.

Frustration as Austrian government stalls on Creditanstalt stake sale

CS Holding goes cold on bank deal

By Ian Rodger in Zurich

Erste Oesterreichische Spar-Casse (First Austrian) has joined the local consortium formed to bid for a large minority stake in Creditanstalt-Bankverein from the Austrian government, writes Ian Rodger.

Earlier this month, CS Holding was confirmed as the finance ministry's preferred buyer for a large part of its 49 per cent holding of Creditanstalt's capital (with 70 per cent of the voting rights).

This sparked renewed efforts in Vienna's business community to prevent Creditanstalt, the flagship bank of Austria's "black" (Conservative) partisans, from falling into foreign hands.

First Austrian, the country's fourth-largest and also a "black" bank, said yesterday it was ready to buy "a few per cent" of the Creditanstalt shares as part of a consortium led by EA-Generali.

Mr Rainer Gut, chairman of CS Holding, the big Swiss international financial group built around Credit Suisse, may well be wondering if he has been used by Austria's financial establishment.

Speaking in London earlier this month, Mr Gut put an end to months of speculation in Vienna by confirming that his group was interested in buying from the Austrian finance ministry a large part of its controlling stake in Creditanstalt-Bankverein, the country's second-largest bank.

He went further, saying that if CS bought, say, a 28 per cent stake initially, it would ultimately like to take full control of the bank. As he put it: "I do not like to be half pregnant."

That brought a dusty response from Creditanstalt's chief executive, Mr Guido Schmidt-Chiari. "We would be the only leading commercial bank in the developed world that would be controlled from abroad," he said.

The bank's new supervisory board chairman, Mr Walter Fremuth, chimed in. "We do not need to find a partner. We can live without one."

It has long been known that Mr Schmidt-Chiari would like the finance ministry's stake to be widely dispersed among domestic and foreign investors.

He and his colleagues put together a proposal to do just that last autumn, when Creditanstalt shares were still among the most popular on the Vienna stock exchange.

Mr Ferdinand Lacina, the finance minister, rejected the proposal, even though he needed funds from privatisation to prevent the public deficit from reaching unacceptable levels.

Mr Lacina has little confidence in Creditanstalt, and believes that a strong partner is needed to prevent it from getting into trouble again.

The bank has suffered huge losses twice in the past 15 years.

Standard & Poor's, the international credit rating agency, seems to share Mr Lacina's view. It said last week that loss of government control of Creditanstalt, if not replaced by a strong controlling shareholder, might have a negative impact on the bank's rating.

Creditanstalt directors, aware of Mr Lacina's view, have tried in recent months to rally an Austrian consortium, built around EA-Generali, the insurance group, to buy a large part of the government's holding.

This is an outcome that could also satisfy Mr Lacina, as it would eliminate complaints of a foreign sell-out.

However, as with other recent attempts to mobilise Austria's conservative financiers to action, progress has been slow, to say the least. Mr Gut's intervention may have been just the thing to galvanise them into action. The word from the EA-Generali camp yesterday was that a formal offer would be made at the end of this week.

Even if an Austrian offer does not materialise, it is unlikely that CS will pursue its suit. An official said the group would not want to get involved with a bank whose management did not want it.

CS's recent acquisitions in Switzerland, including the big SFr1.6bn ($1.1bn) takeover last year of Swiss Volksbank – which, coincidentally, is only slightly smaller than Creditanstalt – have shown that integration can be difficult even when the top management of both sides are fully supportive.

Without that support, a takeover can be disastrous.

Again, Standard & Poor's seems to share that view. It said on Thursday that an involvement by CS with Creditanstalt would probably have an adverse effect on the rating of Credit Suisse.

Sales rise expected to lift Ahold profit

By Ronald van de Krol in Amsterdam

Ahold, the Dutch-based food retailer, has forecast an improvement in first-quarter net profits against last year's result. The prediction follows the release of figures yesterday showing that sales, excluding value added tax, rose by 8 per cent, to Fl 8.6bn ($4.6bn), in the first 16 weeks of the year.

The company, which is due to publish quarterly figures on June 16, said its supermarket operations in the US, the Netherlands and other parts of Europe were expected to post higher operating profit.

Sales in the US, which accounts for about half of turnover, rose by 5.5 per cent in the quarter. In the Netherlands, turnover was up 3 per cent, while sales in the rest of Europe, which are small compared with US and Dutch turnover, jumped by 48.3 per cent, reflecting recent acquisitions in Portugal.

Mr Cees van der Hoeven, president, speaking ahead of yesterday's annual shareholders' meeting, said two of the group's five US chains, Finast Ohio and Edwards, were expected to return to profit in 1994 after losses in 1993. Ahold's three other chains, Bi-Lo, Tops and Giant, were profitable last year.

The company recently acquired a sixth chain, Tennessee-based Red Food Stores, for $124m plus $5m in debt. Red Food will not contribute to Ahold's 1994 profits.

BCP tops SKr296m for first quarter

By Christopher Brown-Humes in Stockholm

BCP, the Swedish consumer products group which Volvo is to sell, yesterday announced a SKr296m ($38.44m) profit after financial items for the first three months.

The result compares with a profit of SKr333m in the same period last year when the result was boosted by a SKr350m gain from a disposal.

BCP was formed in late 1992 after the break-up of Procordia, a drugs-to-food group jointly controlled by the Swedish state and Volvo. Volvo owns 74 per cent of the company and has launched a bid for the balance. It then intends to sell the group – to focus on transport.

BCP includes Swedish Match and many of Sweden's best-known food and drink brands.

BCP's first-quarter group income fell 4 per cent to SKr4.85bn, reflecting the sale of Swedish Match's confectionery activities. Operating income dropped to SKr322m from SKr410m.

Swedish Match saw sales fall to SKr1.77bn from SKr1.96bn, but profits from continuing activities more than doubled to SKr255m from SKr118m. The improvement stemmed from a recovery in Swedish tobacco sales.

Procordia Food & Beverages, the group's other main division, saw sales expand to SKr2.34bn from SKr2.24bn, but profits from continuing operations fell marginally to SKr59m from SKr62m.

INTERNATIONAL COMPANIES AND FINANCE

State sells 70% of Air Jamaica

By Canute James in Kingston

The Jamaican government has sold 70 per cent of Air Jamaica to a consortium of local and Canadian investors for US$26.5m.

The disposal is the first of what is expected to be a series of sales of several of the Caribbean's loss-making carriers.

A further 5 per cent of Air Jamaica will be offered to employees with the government retaining 25 per cent.

The government will take responsibility for all liabilities which exceed the value of the current assets, said Mr P. J. Patterson, Jamaica's prime minister.

"Liabilities far outweigh assets and the government will be writing off a significant amount," said a company official.

The consortium taking control of Air Jamaica says the carrier will be capitalised at $52.5m, and that the funds will be raised from Jamaican and Canadian sources.

The government has been trying to find a buyer for Air Jamaica for four years. The airline has recorded continuing losses, including a deficit of just over $20m last year.

The deal coincides with a move by several other Caribbean governments to merge their airlines. They have invited British Airways to take a 25 per cent stake in the venture. Regional officials say that BA is carrying out a feasibility study of the scheme.

The governments intend to start with the merger of the operations of Air Jamaica and Trinidad and Tobago Airways Corporation, which runs BWIA International.

The new regional company will later be expanded with the inclusion of Bahamasair, the Guyana Airways Corporation, and Leeward Islands Air Transport (LIAT), an island-hopping commuter airline which is owned by several governments.

Regional governments will have a minority stake in the new company which will run the airlines. The plan is for large airlines and regional private business to hold a majority of the new company's equity.

A study commissioned by the Caribbean Community indicated that a rationalisation of the region's air transport, with shared services and a single company running the five airlines, would lead to savings of $60m a year.

None of the airlines has been an attractive proposition, mainly because they have no record of financial viability. There is little to indicate that their operational efficiency can be significantly improved.

Air Jamaica has a fleet of eight. It plies routes between the island and several eastern and south-eastern US cities. BWIA has a fleet of 11. Its accumulated losses over the past six years have been put by company officials at "about $165m".

Pay revelations raise eyebrows

Bernard Simon examines Canada's latest corporate governance move

Canada's corporate gossip-mongers are having a field day. Since the beginning of this year, they have been fed a juicy diet of proxy statements which for the first time disclose the pay packets of the captains of Canadian commerce and industry.

Barely a day goes by without the business press carrying a prominent story about the surprisingly high or surprisingly modest remuneration of some or other chief executive.

Corporate governance and executive compensation consultants expect that the disclosures will not only be good for their business, but could have significant repercussions in boardrooms, among outside shareholders and even in the political arena.

Mr Richard Finlay, a Toronto consultant, describes the new rules as the biggest advance in corporate governance in Canada since the start of securities regulation.

"We're paying a lot of attention to it," adds Mr Bob Sillcox, head of investments at Ontario Municipal Employees Retirement System (Omers), one of Canada's biggest pension funds. According to Mr Sillcox, Omers has already raised the question of excessive compensation with a company (which he declines to identify) in which it has an investment.

At least one large institutional investor, the Ontario teachers' pension fund, has decided to publish details of its own executives' compensation. The chairman of the fund's board said recently: "Since we sort of bug other people about this and they are now required to do it, the question arises, why shouldn't we do it?"

The new rules were imposed last year on a reluctant and notoriously clubby business community by Ontario's social-democratic government. The government over-ruled the advice of the Ontario Securities Commission, which had recommended that companies reveal only the aggregate compensation paid to their top five executives.

The new guidelines closely follow rules applied by the US Securities and Exchange Commission. Every company registered in Ontario (which in practice means all those listed on the Toronto stock exchange) must disclose the annual salary, bonus, share options and other compensation paid to each of its top five executives for the past three years.

No Canadian executive comes close to the US$203m reportedly taken home last year by Mr Michael Eisner, chairman of Walt Disney, the US entertainment group. Nonetheless, several of the dozens of compensation statements published in Canada over the past three months have raised eyebrows.

By far the most contentious has been the C$4m to C$6m awards – all in the form of bonuses – paid to each of the three top officers of First Marathon, a medium-sized Toronto securities firm.

First Marathon's net profit more than doubled last year to C$44.6m (US$32.3m). But the combined pay packets of the top three officers amounted to more than a third of bottom-line earnings. First Marathon's senior management, long famed for their swashbuckling style, control the company through multiple voting shares.

At the other end of the spectrum, Mr Peter Godsoe, Bank of Nova Scotia's chairman, has been singled out as one executive who might legitimately ask for a raise next year. BNS's earnings of C$714m and its 14.4 per cent return on equity were the highest among Canada's big six banks in 1993.

But Mr Godsoe's total remuneration of C$786,400 was relatively modest compared to his counterparts. Mr Matthew Barrett, Bank of Montreal's chairman, earned C$1.75m.

In many cases, bonus payments appear to bear little relationship to a company's performance.

Royal Trust, the loss-making financial institution which collapsed into the arms of Royal Bank of Canada last August, paid its top five executives C$3.2m, including a raft of bonuses and consulting fees.

Bramalea, the troubled real-estate developer, paid its chief executive a C$285,000 bonus as part of his C$971,000 earnings. The company justified the bonus on the grounds that its losses narrowed to C$91m from more than C$900m in 1992, and it posted positive cash flow after negotiating a debt-restructuring agreement.

Some executives have paid a tangible price for their companies' lacklustre performance. Mr Red Wilson, chairman of BCE, Canada's biggest public company, took a 35 per cent pay cut last year to just under C$750,000 in the wake of the heaviest losses ever suffered by the company.

Nova, the Calgary-based pipeline and petrochemicals group, has taken the ultimate step in linking compensation with performance by paying its chief executive entirely in common shares.

The barrage of publicity on executive pay "is waking shareholders up to [compensation] issues", says Mr Bill Mackenzie, vice-president at Fairvest Securities, which specialises in corporate governance.

It will take some time, however, before the full repercussions of disclosure can be assessed. Mr Sillcox notes that the bald numbers published in proxy statements do not tell the full story. He says Omers needs to examine such questions as the composition of boards of directors and their compensation committees before it can draw any firm conclusions.

One safe bet, however, is that many directors will think much more carefully at the end of this year not just about how much senior management should be paid, but also about how the decisions should be explained to increasingly vigilant shareholders.

Transamerica in $200m share buy-back move

By Richard Waters in New York

Transamerica, the San Francisco-based financial services group, is planning to buy back 4.5m of its shares in a deal worth more than $200m.

Like other financial services stocks, Transamerica has been hit by rising interest rates in recent weeks. Its shares ended last week at $51⅛, down from a high of $62⅞.

News of the buy-back spurred a rise in the stock in New York yesterday morning, to $52⅞.

The company announced a Dutch auction for the stock, under which holders are being invited to tender their shares at between $48 and $55.

Transamerica will then pay a single price for the stock it buys, set at the lowest level which allows it to reach its target of 4.5m shares.

The offer remains open until June 6.

Standard & Poor's, the ratings agency, said the company's capital structure would remain strong even after paying out cash for the shares, and reaffirmed its single-A senior debt rating for the group.

Royal Bank of Scotland buys Banesto stake

Royal Bank of Scotland is to acquire 2 per cent of the share capital of Banco Español de Crédito (Banesto) from Banco Santander, the Spanish bank which last month won the auction to take a controlling stake in Banesto, writes John Gapper, Banking Editor.

Royal Bank, which has had a strategic partnership with Santander since 1988, when the Spanish bank acquired 9.9 per cent of its equity, said it would pay £46m ($67.16m) to acquire 12.25m shares at a price of Pta762 each.

AGF to forge link with SocGen

By Alice Rawsthorn in Paris

Assurances Générales de France (AGF), one of France's largest insurance groups, has chosen to forge closer links with Société Générale after its privatisation, rather than Crédit Lyonnais.

Société Générale and Crédit Lyonnais have for some months been competing to become AGF's strategic partner in the banking sector. Both banks have cross-shareholding agreements with AGF, which yesterday confirmed it had plumped for Société Générale.

The news is blow to Crédit Lyonnais, which is still reeling from controversy over its recent announcement of a FFr44.9bn ($7.7bn) government-backed rescue package. Mr Jean Peyrelevade, the bank's new chairman, had made no secret of wanting a closer liaison with AGF as part of his long-term recovery strategy.

Société Générale yesterday affirmed plans to raise its 1.7 per cent stake in AGF when the insurer is privatised later this year. It has yet to decide how big its eventual stake will be. Société Générale increased its stake in the Rhône-Poulenc chemicals company from 1.8 to 5 per cent at the time of its recent privatisation.

Société Générale said it was still considering whether to develop operational links with AGF. The bank has ruled out the possibility of joining forces in life insurance, as it already has interests in that area. But it said AGF might form part of its eventual expansion into damage insurance.

The liaison between AGF and Société Générale forms part of a trend in French finance. Union des Assurances de Paris has used its privatisation (now nearing completion) as an opportunity to strengthen its long-standing links with Banque Nationale de Paris.

INTERNATIONAL COMPANIES AND FINANCE

Berliner Bank to raise dividend

By Judy Dempsey in Berlin

Berliner Bank, which earlier this year merged with two others to form Germany's sixth-biggest bank, will increase its dividend by DM7 to DM9 following last year's high partial operating profits and operating results.

At the same time, Mr Wolfgang Steinriede, spokesman for the board, said the the group's net profits before risk provisions would total about DM1.2bn ($612m), similar to last year.

Partial operating profits, without trading, for 1993 rose by 60.7 per cent to DM372.4m ($223.5m), while full operating results rose by 120 per cent to DM303.2m. Net profits rose by 71 per cent to DM121.1m. Net interest receipts rose by 34.3 per cent to DM1.33bn, while commission fees increased by 24.3 per cent to DM254.6m.

Last year's results confirm the bank's success in integrating the Berliner Stadtbank, its east Berlin counterpart. The takeover of this bank after German unification included DM7bn of government-guaranteed loans and an additional capital of DM550m.

However, this year's performance will be anchored on the new structure, called Bank Gesellschaft Berlin, which for the first time in German banking brings together the private and public sector.

BGB includes Landesbank Berlin, which owns the saving banks, Berliner Hypotheken und Pfandbriefbank (a property financing institution) and Berliner Bank (a commercial bank). All three institutions are owned by the State of Berlin. Currently, Berlin holds a 78 per cent stake in the BGB.

But Mr Steinriede yesterday said the Berlin Senate intended to reduce its stake in BGB by about 10 per cent in 1995. By the end of the first quarter of this year, BGB's total share capital amounted to DM8.3bn.

Berlin's decision to reduce its stake was partly prompted by financial reasons – the city had a budget deficit of DM7bn – as well as the need to push Berlin towards becoming a financial centre.

S African glass group advances

By Mark Suzman in Johannesburg

A strong performance by offshore operations helped Plate Glass and Shatterprufe Industries, South Africa's largest glass company, to a 71 per cent increase in after-tax profits for the year to March, to R207.9m ($58m) from R121.9m.

Attributable income more than doubled to R158.6m from R79.1m, and a dividend of 56.8 cents was declared, up from 37.1 cents in 1993.

Mr Ronnie Lubner, chief executive, attributed the results to offshore subsidiary Belron International, which serves the automotive glass replacement industry in 11 countries, and which contributed 36 per cent of earnings.

Belron benefited from a strong showing from Autoglass in the UK. Continental Europe (except Germany and Italy) and Australia also did well.

Mr Lubner was particularly pleased with the group's American operations, Windshields America.

Group turnover increased by 17 per cent to R3.2bn from R2.77bn while net financing costs dropped to R28.5m from R32.6m on strong cash flow.

Mr Lubner was "cautiously optimistic" about the South African economy in the new political climate.

MIM to sell coal projects

MIM Holdings, the Queensland-based metals group which is trying to prune its investment portfolio and discard assets deemed "non-core", is putting three undeveloped coal projects up for sale, writes Nikki Tait in Sydney.

Two are in Queensland – Rolleston in the Bowen Basin and Chinchilla in the Surat Basin – where MIM holds 100 per cent interests. The third is the Denman project in New South Wales' Hunter Valley. This is a 50:50 joint venture with Agipcoal Australia.

MIM said the deposits were in "an advanced state of evaluation" and contained around 1bn tonnes of coal resources, suitable for domestic and export steaming coal markets. It said it would consider outright purchase or joint venture arrangements.

ANI ahead at nine months

ANI, the Sydney-based heavy engineering group which owns Aurora in the UK, has reported a 13.6 per cent rise in after-tax profits for the nine months to end-March to A$43.8m. Revenues were up by 25.8 per cent to A$1.1bn, writes Nikki Tait.

Operating profit after tax rose by 19.3 per cent in the third quarter to A$14.1m and ANI said the trend should continue for the rest of the year.

The union of two German machine-tool makers was never going to be easy, writes **Judy Dempsey**

Difficult first year for Traub and Heckert

Nobody said the marriage between two German machine-tool manufacturers would be easy.

Not only had it taken place against the background of one of the worst recessions in recent years – late last month Deckel Maho, another machine-tool group, filed for protection from its creditors. But the marriage involved Traub, the west German tool-turning manufacturer in Stuttgart, and Heckert, the east German tool-milling enterprise in Chemnitz, once the heart of Germany's machine-tool industry before the second world war.

When the two enterprises joined forces last September, both companies had undergone radical restructuring programmes. Traub, saddled with losses the previous year of DM47.9m ($28.75m) and a turnover which had fallen 8 per cent to DM270m, had cut its workforce from 1,800 to 1,000.

"Our labour costs were too high. The only way we could save money and become more efficient was through shedding jobs," said Mr Theodor Zimmer, a board member of Traub. "We are slowly coming out of the tunnel," he said.

Pressure from its banks also forced the company to adopt a leaner and tougher strategy. Last year, they agreed on a financial package aimed at reducing Traub's debt by DM80m, while the family-owned company would increase its share capital in 1993 by DM10m to DM47m.

"The business culture is changing. You can no longer rely on producing and expect orders to follow. You have to work harder to find your markets and keep costs down at the same time," said Mr Manfred Hekeler, head of marketing.

As part of the restructuring plan, Traub wanted to complement the turning-machine division with a milling-tool production unit. Heckert seemed to fit the bill. But the Chemnitz enterprise was also in trouble.

For some time, the Treuhand privatisation agency, which in 1991 had taken over the giant Kombinate, or state-owned enterprise, had been searching for a buyer of a plant which since 1951 had had a monopoly in supplying the east European and Russian markets.

Then called the Fritz-Heckert-Werk, it had employed 27,000 people spread over 17 workshops, and had been producing 2,500 milling-tool units a year with production running around the clock. It was east Germany's flagship.

But the ship could hardly sail once these markets collapsed after the introduction of German monetary union. The Kombinate was broken up. The 4,300 workers in the milling-tool section was reduced by a tenth to 430, while the Treuhand pumped money in, picking up losses, environmental liabilities and redundancy costs totalling DM100m. Like Traub, it was now lean. All it required was a new owner.

"We had been looking for a company like Heckert for some time," said Mr Zimmer. "We wanted to have turning and milling under one roof, without any overlap." With the acquisition of Heckert, along with that of Hermle, which manufactures milling machines for use in mould-making and small series production, Traub's new strategy was in place.

"We now have an attractive site for production purposes and sales activities," explained Mr Zimmer.

But the marriage has had difficulties. Mr Wolfgang Sittig, the manager at Heckert, says one of the greatest problems facing the Chemnitz plant is finding ways to finance sales to the former Soviet Union which continues to have a huge demand for Heckert's products.

"Because of [Russia's] financial problems, we have to finance the whole production until we receive payment on delivery. Our problem is not cash flow. It is revenue," he explained, adding that he either depends on Hermes, Germany's export guarantee mechanism, or on counter-trade.

"The point is that we cannot throw away the markets in eastern Europe or Russia. They will have purchasing power sooner or later. This firm has built up contacts over the years and we want to maintain them."

More than 35 per cent of Heckert's turnover, which last year amounted to DM70m, is backed by Hermes. The remaining sales are now targeted at western markets. Losses, which last year totalled DM17m, are expected to stabilise, while turnover this year will reach DM97m.

Inevitably, there will be a time lag before Heckert can reap the benefits of Traub's capital investments of DM60m. Since Traub acquired five of the 11 manufacturing halls last September, three have been completely modernised.

"Heckert's union with Traub has many advantages. Heckert gains management know-how and can ride on the back of Traub's worldwide marketing network," said Mr Sittig. Exports account for 35 per cent of Traub's turnover. In return, Traub gains more production and capacity space, potential markets in the east and – for the moment – lower wage costs.

However, the workers in Stuttgart, still reeling from the affects of the redundancies, show little solidarity with their east German brothers.

"We are afraid of internal competition," said Mr Manfred Suss, 50, a member of the workers' council. "How can we be sure that Traub will not shift some of the production from Stuttgart to Chemnitz, especially since the wages over there are about 30 per cent lower than over here?"

The workers at Heckert, who regard themselves as fortunate to have a job, are not surprised about such views.

"We know the Stuttgart people are a bit worried," said Mr Dieter Kupsca, a 40-year-old engineer. "But through working for this western firm we just have to be flexible. The old days of sticking to the monthly production plan are over. We have to respond quickly to new orders and a new way of doing things."

The marriage between the workers' councils in Stuttgart and Chemnitz may take time to consummate. But for Messrs Zimmer and Sittig, the union of two of Germany's machine-tool manufacturers, forged after difficult restructuring programmes, may help both ride out the recession and emerge stronger when it is over.

Recovery at Hindustan Motors

By Kunal Bose in Calcutta

Hindustan Motors, India's second largest carmaker and a GP Birla group company, confirmed its recovery from recession for the year to March 31 by making a net profit of Rs176m ($5.6m), against a loss of Rs305m in the previous year.

With higher car sales and improvements in the earth-moving equipment and power products division, turnover rose to Rs6.44bn from Rs5.04bn.

The company, which is in talks with General Motors of the US about a possible joint venture in India, said it had been able to reduce costs during the year and there would be further savings with the ongoing modernisation of car production facilities.

● MRF, India's biggest producer and exporter of tyres, recorded a 15.1 per cent increase in net sales to Rs5.38bn for the six months to end-March from Rs4.68bn in the same period last year.

The company's tyres met with greater demand from motor vehicle manufacturers and also in the replacement market. However, because of higher input costs, gross profit was up only 2.8 per cent to Rs420m.

INTERNATIONAL COMPANIES AND FINANCE

SA group ahead as a result of shake-up

By Mark Suzman in Johannesburg

Tongaat-Hulett, the South African food, industrial and consumer products group and the largest company in Natal province, reported a strong second half as a result of successful rationalisation and restructuring.

After-tax profits for the year ended March rose 15.8 per cent to R159m ($32.1m) from R137.3m.

The results were helped by a decline in net financing costs. to R55.2m from R77.4m and a drop in taxation to R52.1m from R55.3m.

The balance sheet was stronger as overall borrowings were down to R364.6m from R388.9m, while total net borrowings dropped to R25.3m, a reduction of R107.9m, largely due to proceeds from the sale of 50 per cent of the group's Consumer Foods operation to CPC International.

Turnover increased 2.7 per cent to R3.97bn from R3.87bn and a final dividend of 58 cents was declared, making the full-year dividend 13.7 per cent up on last year, at 83 cents.

Mr Cedric Savage, managing director, said the improvement held across all divisions and improved liquidity and cash-flows would allow the company to take advantage of expected infrastructural spending by the new government.

He singled out the group's brickmaking and aluminium divisions as particularly well placed for growth. The sugar division, recovering from a two-year drought, is expected to benefit from deregulation later in the year.

Tongaat has also continued with capital expenditure, spending R180m on various irrigation, glucose and aluminium projects. The group is also undertaking feasibility studies for a proposed R1.6bn hot rolling aluminium mill expansion.

Mr Savage also said anticipated growth and higher liquidity left the company well placed for new investments, perhaps in foreign markets.

Rise and rise of a Malaysian businessman

Tajudin Ramli is set to take over the controls at the state airline, writes Kieran Cooke

Mr Tajudin Ramli started his corporate career in the early 1980s in bicycles, buying a controlling stake in the Malaysian unit of the British Raleigh group.

Now Mr Tajudin is one of Malaysia's leading entrepreneurs, with multi-million dollar interests in telecommunications, tourism and transport.

Last week Celcom, a unit of Mr Tajudin's listed Technology Resources company (TRI), announced it had won a licence to set up international telecommunications links.

Celcom already has a more than 60 per cent share in Malaysia's fast growing cellular communications market.

A private company controlled by Mr Tajudin is also in the satellite business: it has bought and launched two Russian communications satellites with the idea of leasing space to regional users.

Now, Mr Tajudin's Malaysian Helicopter Services (MHS) a locally listed company. has plans to take over the running of Malaysia Airlines (MAS), the country's national carrier and one of south-east Asia's biggest airlines.

Mr Tajudin is one of Malaysia's most closely watched businessmen. His activities are the talk of Kuala Lumpur boardrooms. However, there are growing concerns that Mr Tajudin is trying to expand too fast.

"No one can keep control over such a fast growing business empire," says one Kuala Lumpur analyst. "He's taken on too much – hardly a day goes by without some new deal being announced."

Malaysia and Thailand are the fastest growing mobile phone markets in the world. In spite of competition from new system operators, the number of subscribers to TRI's Celcom unit network is expected to increase by between 8,000 and 9,000 a month over the next two years.

Brokers and investors seem generally optimistic about TRI. TRI made a pre-tax profit last year of M$103m (US$38.9m) compared with M$16.8m in 1992. Over the last 12 months TRI shares have risen from M$1.46 to M$11.50 on the Kuala Lumpur exchange.

'No one can keep control over such a fast growing business empire – hardly a day goes by without some new deal being announced'

However there are doubts about Mr Tajudin's move into Malaysia Airlines. "Like telecommunications, airlines are primarily about service," says Mr Tajudin. "There is a big shake-up coming at MAS. I will be concentrating on the airline from now on."

In what was one of the biggest deals in Malaysian corporate history, it was announced late last year that Bank Negara, the country's central bank, would sell a 32 per cent stake in MAS to the Tajudin-controlled MHS. The cost of the stake was estimated at M$1.79bn.

However, final clearance for the MHS/MAS deal seems to have been delayed. The original purchase proposal was to have been funded through the issuing of 112m new MHS shares at the then market price of M$16 a share. But the Kuala Lumpur stock market has fallen by more than 20 per cent since the beginning of the year and MHS shares have dropped to around M$11.

With underwriters shying away from the deal there is talk of a restructured MAS takeover package.

MHS is a relatively small company specialising in support services to Malaysia's oil and gas industry. Pre-tax profit in the year to end-1993 was M$21m, down from M$31m the previous year.

Recently MHS has been on an aggressive acquisition hunt. Last year it purchased a 33 per cent stake in the Schreiner Aviation group of the Netherlands for $4.8m and a 25 per cent stake in World Airways, the US charter operator, for $27.4m. It has been involved in protracted takeover negotiations with Bristow, the UK helicopter operator.

While Mr Tajudin says he wants to build MHS into an international aviation company, doubts persist about its financial strength and its ability to manage such a large and complex operation as MAS.

The Malaysian carrier has recently been flying into some financial turbulence. An over-ambitious fleet expansion programme in the 1991-96 period, involving the purchase of 72 aircraft costing a total of M$10.6bn, has placed severe strain on the balance sheet. At the same time passenger numbers on many routes have dropped.

Pre-tax profit for the six months to September 1993 was M$6.4m, a 96 per cent drop on the equivalent period the previous year.

There is also a political dimension to Mr Tajudin's business dealings. Mr Tajudin is a protege of Mr Daim Zainuddin, Malaysia's former finance minister and a close confidant of Dr Mahathir Mohamad, Malaysia's prime minister. Mr Daim is known as one of Malaysia's wealthiest businessmen and a corporate wheeler dealer.

Mr Tajudin's business rivals say Mr Tajudin used his political connections to win lucrative telecommunications licenses. In return, the government asked the entrepreneur to reorganise MAS.

Mr Tajudin shrugs off such rumours, saying he merely responded to opportunities offered to him.

Mr Anwar Ibrahim, the present finance minister, has become involved in increasingly public wranglings with the influential Mr Daim, while Malaysia's regulatory authorities are said to be unhappy with some aspects of Mr Tajudin's business activities.

But Mr Tajudin insists everything is going to plan. "At various times people have said I was mad, putting money into companies like Celcom and MHS. But I have proved them wrong. You have to have vision, that is very important."

Meridien Biao plans African expansion

By Leslie Crawford in Nairobi

South Africa's transition to democracy is encouraging at least one pan-African banking network to expand its business through the continent.

Mr Andrew Sardanis, chairman of the Luxembourg-based Meridien Biao, yesterday established a commercial holding company in the US as a vehicle for raising additional capital to extend his chain of commercial banks and insurance companies in Africa.

The holding company, Meridien Corporation of the USA, is capitalised at $50m. "We are hoping to attract new shareholders to Meridien Corporation at some future date," Mr Sardanis said yesterday in Nairobi.

Mr Sardanis is enthusiastic about the potential expansion of regional trade following South Africa's multi-racial elections. He hopes his network of banks in 20 African countries will act as co-respondents for South African banks in financing the expected increase in trade. In the future he says, he may apply for a banking licence in South Africa.

For many years, the Cypriot-born businessman was banned from entering South Africa for being a Zambian citizen and a one-time member of former president Kenneth Kaunda's government, which actively supported the African National Congress.

Meridien Biao is a newcomer to the African banking scene. The banking group is the result of a merger in 1991 of Meridien banks in anglophone countries and much of the Banque Internationale pour l'Afrique Occidental, a troubled network of banks in francophone Africa.

Its assets, following the devaluation of the CFA franc in January, are valued at $950m, down from $1.45bn before the devaluation. Net income in the year ending September 1993 was a meagre $3.3m, which the chairman attributes to reorganisation costs.

The establishment of the Meridien Corporation holding company has effectively separated Mr Sardanis' banking interests from the mining, trading and construction companies grouped under ITM International.

"After the BCCI affair," says Mr Sardanis, "I decided it was important to separate the banking operations from the rest of the group in the interests of greater transparency."

To date, however, neither British nor French banking regulators have granted Meridien Biao a banking licence.

"Most OECD countries are reluctant to undertake supervision of a large network such as ours; they are concerned at the remoteness of the continent and have adverse perceptions of Africa," Mr Sardanis wrote in his annual report. However, he hopes this state of affairs might be redressed by seeking a listing for Meridien Corporation in one of the US stock exchanges, bringing his group of companies under the Securities Exchange Commission rules.

Burns Philp lifts profits to A$46m

By Nikki Tait in Sydney

Burns Philp, the Australian group which has been disposing of non-core assets to concentrate on its food ingredients business, said it made a profit before interest and tax of A$46.4m (US$32.6m) in the third quarter to end-March.

This compares with A$39m in the same period a year ago, but includes A$12m profit on asset sales. Without those, earnings would have declined 12 per cent.

After-tax profits for the quarter were A$20.5m, against A$21.4m, and for the nine months, A$96.8m, against A$75.9m.

INTERNATIONAL CAPITAL MARKETS

Treasuries fall after Fed decides not to tighten policy

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices fell across the maturity range yesterday morning as traders and investors expressed disappointment at the Federal Reserve's decision not to tighten monetary policy.

GOVERNMENT BONDS

At midday, the benchmark 30-year government bond was down 28/32 at 84 5/32, yielding 7.607 per cent. Prices were also lower at the short end of the market, with the two-year note down 5/32 at 98 21/32, yielding 6.199 per cent.

Under normal circumstances, a tightening of Fed policy would trigger a sell-off. However, the bond market plunged late last week after signs of a strengthening labour market had deepened concern that an overheating economy would eventually fuel a revival of inflation, and over the weekend market participants were looking to the Fed to raise interest rates early this week as a measure to slow the pace of economic growth.

Consequently, when the Fed funds rate inched up from 3¾ per cent to 4 per cent yesterday morning in anticipation of a policy tightening, the market expected the Fed to signal that it was happy with the new, higher rate.

The Fed, however, did just the opposite, intervening in the market to push the Fed funds rate back down to 3¾ per cent.

Once it was clear that the Fed had not tightened, prices fell further, although analysts were still convinced that rates would be raised soon, probably before or on May 17, the date of the next open market committee meeting at the Fed.

■ European government bonds opened on a weak note in response to the decline in the US Treasury market on Friday afternoon, and spent most of the day "Fed-watching" in the expectation of seeing a hike in short-term US interest rates.

European bonds ended down from their previous close, and dealers said the focus this week was likely to remain the strong likelihood of a rise in short-term US interest rates and the prospect of further declines in the most keenly-watched German interest rates at the repo today and at the Bundesbank council meeting on Wednesday.

In Germany, the Bundesbank issued DM3bn of the Treuhand's new 10-year bond which has a 6¾ per cent coupon. The bonds were placed at an issue price of 100.40, yielding 6.69 per cent.

Dealers reported switching out of existing 10-year Treuhand and Federal paper in response to the cheap pricing of the new issue, but added that there were no signs of new cash coming into the market.

The focus for the bund market today will be the announcement of the Bundesbank's weekly repo result. The market expects to see a further 5-10 basis points shaved off the repo rate – which is currently at 5.41 per cent – with the prospect of a follow-up cut in the discount rate (now at 5.00 per cent) on Wednesday at the Bundesbank council meeting.

The bund futures contract opened at 94.15 and touched a low of 93.96 early in the session, then climbed back up to 94.34 and traded at around 94.28 by late afternoon.

In France, the central bank left key rates unchanged at yesterday's repo, but dealers said that if the Bundesbank cuts at today's repo this could pave the way for a further cut in French interest rates.

■ UK government bonds opened sharply down in response to Friday's US Treasury bond sell-off, but then clawed back some of their losses leaving long-dated gilts to close about ¾ of a point lower on the day. Trading volume was relatively thin, however.

The release of strong UK consumer credit data for March yesterday showed that the economic recovery remains healthy, dealers said. With a £516m rise in net consumer credit, they point out that the chances of another cut in the base rate in the immediate future have diminished still further.

The main focus for the gilt market on the domestic front is the release today of the Bank of England's Quarterly bulletin and inflation report. This is expected to show that inflationary pressures remain subdued.

■ Japanese government bond prices held up well and closed higher on the day, helped by domestic buying as investors returned from the Golden Week holiday yesterday.

While cash bond and futures prices suffered losses initially on the back of Friday's US payroll figures, the market later made up for lost ground. The June futures contract opened at 112.26 and fell to a low of 112.13, then ended at 112.73.

Warm welcome for Toyota Motor Credit Corp Y50bn issue

By Conner Middelmann

Primary activity was subdued and most investors remained on the sidelines as the markets continued their tense vigil for the US Federal Reserve's next monetary tightening move.

INTERNATIONAL BONDS

Only the Euroyen sector saw a spurt of activity, prompted by the return of Japanese investors from last week's Golden Week holiday and arbitrage opportunities.

The largest of the day's four new issues, Y50bn of 3½ per cent bonds due September 1997 for triple-A rated Toyota Motor Credit Corporation, received a positive market response. Most traders said the bulk of the deal would likely be placed in Japan, but lead manager Merrill Lynch also reported good demand from non-Japanese accounts. The issue was deemed to be generously priced. "They paid due respect to current difficult market conditions," said one trader.

Other yen issues included Y15bn of four-year bonds for De Nationale Investeringsbank via IBJ International, Y10bn of two-year paper for the Urban Mortgage Bank of Sweden via Nomura, and Y10bn of three-year bonds for Sony Capital Corporation via IBJ.

In the French franc sector, Crédit Local de France, the triple-A rated French municipal financing agency, issued FFr1bn of 7¼ per cent nine-year bonds via Caisse des Dépots et Consignations and UBS France, which took about three-quarters of the issue. According to UBS, the deal saw strong demand from French institutional investors. Yielding 21 basis points over the 99.59 re-offer price, the issue was deemed to be fairly priced.

Landesbank Schleswig-Holstein decided to tap recent retail demand for short-dated dollar paper by issuing $200m of two-year bonds. Lead manager Lehman Brothers reported good demand from Benelux and Swiss retail investors attracted by the 6⅜ per cent coupon and the short maturity, but other dealers said the issue would be slow to place amid uncertain market conditions.

The sterling sector today is expecting a £400m bond issue for Lloyd's Bank, split into a 15-year fixed-rate tranche and a floating-rate tranche. Goldman Sachs, Salomon Brothers and S. G. Warburg are tipped as joint leads.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
LB Schleswig-Holstein Lux.	200	6.375	99.89R	June 1996	0.15R	+20 (5½%-96)	Lehman Bros. (Eur.)
YEN							
Toyota Motor Credit(a)	50bn	3.5	99.8675R	Sep.1997	0.1875R	-	Merrill Lynch Intl.
De Nationale Investingsbank	15bn	3.85	100.00R	June 1998	0.25R	-	IBJ International
Urban Mortgage Bk of Sweden	10bn	3.10	100.00R	May 1996	undiscl.	-	Nomura International
Sony Capital Corp.(b)	10bn	3.05#	100.00	Aug.1997	undiscl.	-	IBJ International
FRENCH FRANCS							
Credit Local de France(a)(d)	1bn	7.25	99.59R	Oct.2003	0.325R	+21 (6¾%-03)	CDC/UBS France
Gov. Asset-Bkd Secs. Lux.(a)	1bn	7.625	99.859R	Sep.2002	undiscl.	-	UBS France
ITALIAN LIRE							
ABB Intl. Finance(c)	150bn	9.625	100.52	June 2004	2.00	-	CARIPLO

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) Coupon pays 3.05% until 18.8.95 then 3.95% thereafter. Callable on 18.8.95 at par. c) Callable on 10.6.96 at par and annually thereafter. d) Spread relates to OATs.

Otherwise, primary activity is expected to remain thin this week, overshadowed by nervousness regarding US interest rates and Thursday's Ascension holiday in most parts of Europe.

● Caja de Madrid, Spain's second-largest savings bank, today is to sign a $1bn debt programme, arranger Morgan Stanley said. The flexible multi-currency facility will allow Caja de Madrid to issue both public transactions in the Euromarkets as well as small private placements. The dealer group will include Caja de Madrid, Chase Investment Bank, Citibank, First Chicago, Goldman Sachs, J. P. Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley, SBC and UBS.

Schroder Ventures raises $100m for healthcare fund

By Daniel Green

Schroder Ventures has raised $100m for a venture capital fund to specialise in life sciences including biotechnology and healthcare services companies.

The International Life Science Fund is Schroder Ventures' first fund to invest in several countries and in a specific industry, said Dr Henry Simon, a partner and head of the investment team.

The vehicle is a 10-year closed-end fund. About 60 per cent of investors are in the US, 27 per cent in the UK and the remainder in continental Europe and the Middle East.

The $100m was raised over an 18-month period. This was longer than expected, conceded Dr Simon. He said that US investors had been cautious about an international fund, and Europeans were wary of venture capital vehicles. All had concerns about the impact of healthcare reforms on the profitability of the sector.

Nevertheless, Schroder Ventures succeeded in raising almost twice as much as last month's Rothschild Asset Management's International Biotechnology Trust which secured less than £40m, compared with a target of £100m.

The Schroder Ventures trust will invest in several sectors within healthcare in Europe and North America.

Pharmaceuticals and biotechnology should take about 40 per cent of the total. The fund will seek companies researching into disease areas such as cancer and virus infections, and those involved in technologies such as gene therapy and transplants.

Between 5 and 10 per cent will go into each of:

● Healthcare services, such as specialised clinics;
● diagnostics, such as home tests;
● medical devices including scanners and monitoring;
● and environmental products and services such as biochemical waste treatment

The fund will invest a significant proportion of its capital as seed money and early stage investment.

UK companies will be a high priority.

Czech paper to support trade

EGAP (Czech Export Guarantee and Development Corp) is planning international bond issues to provide long-term funds which Czech companies can draw upon to support international trade operations, Reuter reports from Prague.

"We will definitely issue bonds on the international capital markets," Mr Arnost Bohm, EGAP vice-general-director said.

EGAP is to launch an export credit bank this week. The bank, Ceska Exportni Banka, was expected to begin with Kcs1.5bn ($51m) in basic capital, two thirds provided by the National Property Fund and one-third by the Czech National Bank.

A change in Czech banking laws, to allow for the operation of an export bank, has yet to be passed. Mr Bohm said government ministers would probably send the law to parliament by the end of this month.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price.	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	103.5800	−0.900	8.92	8.45	8.03
Belgium		7.250	04/04	97.6800	−0.620	7.59	7.50	7.15
Canada *		6.500	06/04	85.4000	−0.800	8.71	8.34	7.99
Denmark		7.000	12/04	96.2500	−0.450	7.52	7.26	6.87
France	BTAN	8.000	05/98	105.5300	−0.220	6.32	6.22	5.76
	OAT	5.500	04/04	88.7700	+0.010	7.11	6.93	6.65
Germany		6.000	09/03	95.8500	−0.040	6.60	6.48	6.23
Italy		8.500	01/04	96.0000	−	9.13†	9.06	8.88
Japan	No 119	4.800	06/99	106.9810	+0.130	3.34	3.38	3.46
	No 157	4.500	06/03	103.6840	−0.070	3.96	3.89	4.00
Netherlands		5.750	01/04	92.3600	−0.400	6.85	6.64	6.40
Spain		10.500	10/03	104.6000	−0.300	9.71	9.49	8.93
UK Gilts		6.000	08/99	91−25	−12/32	7.95	7.85	7.19
		6.750	11/04	89−10	−8/32	8.29	8.06	7.64
		9.000	10/08	105−02	−12/32	8.39	8.17	7.82
US Treasury *		5.875	02/04	89−05	−27/32	7.48	7.12	6.90
		6.250	08/23	84−05	−25/32	7.61	7.37	7.25
ECU (French Govt)		6.000	04/04	89.2400	−0.020	7.58	7.35	6.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	4.09	Two year	6.18
Prime rate	6¾	Two month	4.11	Three year	6.51
Broker loan rate	5½	Three month	4.33	Five year	7.03
Fed.funds	3 25/32	Six month	4.90	10-year	7.43
Fed.funds at intervention	3¾	One year	5.49	30-year	7.59

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	118.88	118.64	-0.50	119.04	118.50	160,655	128,441
Sep	117.88	117.88	-0.48	118.04	117.62	3,676	16,599
Dec	116.98	116.98	-0.48	117.08	116.80	1,461	3,007

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
119	0.80	1.52	-	0.55	2.23	-
120	0.40	1.11	1.24	0.94	2.60	-
121	0.14	0.70	-	1.57	-	-
122	0.04	0.50	-	2.31	-	-
123	-	-	-	3.17	-	-

Est. vol. total, Calls 47,473 Puts 39,512 . Previous day's open int., Calls 474,037 Puts 369,481.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.15	94.24	-0.29	94.35	93.96	112007	181921
Sep	93.50	93.73	-0.28	93.78	93.50	2610	17809

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9400	0.76	1.45	0.52	1.72
9450	0.50	1.22	0.76	1.99
9500	0.30	1.01	1.06	2.28

Est. vol. total, Calls 11062 Puts 7613. Previous day's open int., Calls 315782 Puts 294892

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.95	100.03	-0.08	99.99	99.85	48	1789

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	111.00	111.12	-0.27	111.35	110.55	33853	78523
Sep	110.10	110.34	-0.30	110.40	110.10	315	2882

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11100	0.91	2.17	0.79	2.83
11150	0.66	1.94	1.04	3.10
11200	0.46	1.72	1.34	3.38

Est. vol. total, Calls 1605 Puts 1568. Previous day's open int., Calls 81006 Puts 75575

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.90	95.23	-0.05	95.25	94.60	46,478	113,783
Sep	-	94.65	-	-	-	215	1,068

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	102-26	103-02	-0-12	103-08	102-18	51731	124408
Sep	-	102-06	-0-11	-	-	0	398

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
103	1-12	2-27	1-08	3-15
104	0-47	2-01	1-43	3-53
105	0-27	1-42	2-23	4-30

Est. vol. total, Calls 1465 Puts 2788. Previous day's open int., Calls 100243 Puts 82416

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.66	85.82	-0.38	85.92	85.44	1,521	8,099

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	102-11	102-02	-0-13	102-14	101-27	697,854	393,348
Sep	101-12	101-08	-0-13	101-15	100-29	9,352	61,382
Dec	100-24	100-16	-0-17	100-27	100-11	729	2,385

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.75	-	-	112.85	112.66	1679	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon May 9	Day's change %	Fri May 6	Accrued interest	xd adj. ytd		Low coupon yield May 9	May 6	Yr. ago	Medium coupon yield May 9	May 6	Yr. ago	High coupon yield May 9	May 6	Yr. ago
1 Up to 5 years (22)	121.97	−0.16	122.17	1.82	4.34	5 yrs	8.00	7.92	7.08	8.23	8.12	7.97	8.31	8.23	7.61
2 5-15 years (23)	141.41	−0.48	142.10	1.55	5.32	15 yrs	8.32	8.23	8.05	8.41	8.33	8.46	8.72	8.62	8.72
3 Over 15 years (9)	158.79	−0.80	160.07	2.42	4.06	20 yrs	8.32	8.23	8.28	8.41	8.33	8.56	8.58	8.49	8.77
4 Irredeemables (6)	178.43	−0.80	179.86	0.33	6.12	Irred.†	8.39	8.32	8.62						
5 All stocks (60)	138.97	−0.44	139.59	1.72	4.82										

Index-linked							Inflation 5% May 9	May 6	Yr. ago	Inflation 10% May 9	May 6	Yr. ago
6 Up to 5 years (2)	184.49	−0.02	184.54	0.51	2.53	Up to 5 yrs	3.56	3.54	2.74	2.63	2.60	1.94
7 Over 5 years (11)	175.95	−0.14	176.19	0.92	1.69	Over 5 yrs	3.62	3.60	3.59	3.44	3.43	3.42
8 All stocks (13)	175.95	−0.12	176.17	0.87	1.77							

Debentures and Loans						5 year yield May 9	May 6	Yr. ago	15 year yield May 9	May 6	Yr. ago	25 year yield May 9	May 6	Yr. ago
9 Debs & Loans (76)	128.19	−0.18	128.43	2.33	4.17	9.50	9.51	9.02	9.46	9.45	9.55	9.43	9.39	9.70

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 9	May 6	May 5	May 4	May 3	Yr ago	High*	Low*
Govt. Secs. (UK)	93.20	93.69	94.27	94.06	95.18	94.86	107.04	93.20
Fixed Interest	112.15	112.91	112.96	113.57	114.45	110.85	133.87	112.15

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 6	May 5	May 4	May 3	Apr 29
Gilt Edged bargains	104.5	103.3	95.1	86.0	88.0
5-day average	95.4	97.4	100.1	102.9	103.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89⅞	90⅝	−⅛	8.04
AlbertaProvince 9⅜ 95	600	104	104⅜	−⅛	6.37
Austria 8½ 00	400	104⅛	104¾	−⅝	7.52
Bank of Tokyo 8⅜ 96	100	102¾	103½	−⅛	6.76
Belgium 9⅝ 98	250	108	108⅜	−⅛	7.32
BFCE 7¾ 97	150	102	102½	−⅛	6.93
[illegible]					
United Kingdom 7¼ 97	5500	103⅝	103⅞		5.92
Volkswagen Intl Fin 7 03	1000	99	99⅜	−⅛	7.15
World Bank 0 15	2000	24⅝	25⅛		6.70
World Bank 5⅞ 03	3000	93½	93⅝	−⅛	6.82
World Bank 8¾ 00	1250	112⅛	112½	+⅛	6.24
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	93½	93⅞	−½	9.09
Alliance Leics 11⅛ 97 £	100	108¾	109¼	−¼	7.98
British Land 8⅞ 23 £	150	88⅛	88⅝	−⅝	10.40
EIB 10 97 £	637	105⅛	105¾	−¼	7.72
Halifax 10⅜ 97 £	100	106⅛	106½	−¼	7.84
Hanson 10⅜ 97 £	500	105⅝	106⅛	−¼	8.39
HSBC Holdings 11.69 02 £	153	111⅞	112⅛	−⅛	9.53
[illegible]					

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

STRAIGHT BONDS: [illegible] FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	9.95	5.08	100 15/32xd	−1/16	102 3/16	100 15/32
Exch 12¼pc 1994	12.34	5.09	102⅞	−1/16	104 13/32	102⅞
Treas 9pc 1994‡‡	8.83	5.20	101 15/32xd	−1/16	103 13/32	101 15/32
12pc 1995	11.47	5.32	104 21/32	−1/16	107 3/16	104 21/32
[illegible]						
Treas 11¾pc 2001-4	10.08	8.67	114 5/16	−17/32	129 17/32	114 5/16
Funding 3½pc '99-4	4.84	7.40	72 11/32	−1 1/16	86 3/16	72 5/16
Conversion 9½pc 2004	8.87	8.44	107 3/16	−19/32	125 3/16	107
Treas 6¾pc 2004‡‡	7.57	8.28	89 3/16xd	−⅞	105¼	89 3/16
Conv 9½pc 2005	8.85	8.44	107 3/16	−15/32	125½	107⅛
[illegible]						
Index-Linked (b)						
Treas. 2pc '94 (102.9)	−	−	138	−	138	138 13/32
2pc '96 (67.9)	2.27	3.39	198⅞	−	209⅝	197 3/32
4⅝pc '98‡‡ (135.6)	2.85	3.55	106⅛	−⅛	113 3/16	106⅛
2½pc '01 (78.3)	3.09	3.47	166¼	−3/16	178⅝	166⅛
[illegible]						

Other Fixed Interest [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

N Brown rises 18% but cautious on recovery

By Paul Taylor

N Brown, the Manchester-based direct mail-order group which specialises in clothing for older women, yesterday reported an 18 per cent increase in full-year pre-tax profits.

For the 52 weeks to February 26 profits were £22.5m, against £19m, on turnover ahead 9.3 per cent to £186.8m (£170.8m).

Earnings per share were 17 per cent higher at 20.83p (17.74p), and a final dividend of 5.75p makes a total of 8p (7p).

The company also announced plans for a 1-for-1 bonus share issue to improve the shares' liquidity.

The shares closed up 2p at 477p.

Sir David Alliance, chairman, said the current financial year had started well but he remained cautious about the rate of general economic recovery and its impact on the business.

The profit improvement reflected sales gains by the core home-shopping business and a turnround in the financial and property services operations.

Overall operating profits grew by 12 per cent to £24.7m (£22.1m). The home-shopping business increased its contribution by 8.5 per cent to £24.5m (£22.6m) on sales up 9.4 per cent to £179.8m (£164.3m.)

Mr Jim Martin, chief executive, said the sales increase reflected a 2 per cent gain in the total number of customers and a 7 per cent increase in their average spending.

The group's long-established catalogues for older women accounted for 77 per cent of group turnover, while Fashion World and Candid, both introduced four years ago and targeted at the growing number of consumers in the 35-50 age range, increased their turnover by more than 40 per cent.

Financial and property services reported a £427,000 operating profit, compared with a £273,000 loss on turnover up 7 per cent to £7.05m (£6.59m).

The pre-tax figure was also helped by a sharp decline in interest costs to £2.15m (£3.3m) reflecting lower interest rates and reduced borrowings.

Year-end gearing fell from 37 per cent to 28 per cent.

● COMMENT

Despite the chairman's cautious remarks Brown's results were at the top end of analysts' forecasts and the core mail-order business continues to perform well by emphasising product range, value and customer service. The group claims 23.1 per cent of the £836m a year direct home-shopping market, and ranks sixth in the combined £4.4bn agency and direct home-shopping market, leaving plenty of room for domestic organic growth. Demographics are working in the group's favour and this, coupled with the introduction of new catalogues aimed at a slightly younger customer, should keep sales moving ahead. Pre-tax profits of about £25.25m look possible producing earnings of about 23.4p. The stock's 20.4 prospective multiple looks high, but it is deserved.

Prowting land price warning

By Andrew Taylor, Construction Correspondent

Sharply rising land prices are threatening to undermine returning profitability of housebuilders, Mr Terry Roydon, chief executive of Prowting, warned yesterday.

The south of England housebuilder has only just returned to the black making pre-tax profits of £4.12m during the 12 months to the end of February. This compared with losses of £4.87m during the previous 12 months.

Mr Roydon said that land prices in southern England had risen by an average of 20 per cent in the past year. Much of this increase had occurred since January 1 as builders had begun to spend proceeds from rights issue.

Increased land costs could only be justified if house prices were to rise more rapidly.

Prowting owned 6,000 housing plots with planning permission equivalent to six years' supply at current rates of building. The company, which last year sold 664 homes at an average price of £88,000, plans to increase sales to about 1,100 in the current year.

Recovery, Mr Roydon stated, had been aided by the acquisition last September, for £22.6m, of Galliford Homes, which contributed gross profits of £5.51m from the sale of 284 homes during the second half.

Overall gross profits rose from £6.8m – before exceptional debits of £4.9m – to £10.4m as the group's existing housebuilding operations benefited from the housing market recovery. Profits from holiday homes in Portugal rose from £205,000 to £278,000 in a difficult market.

The absence of provisions, following write-downs of £4.93m in 1992-93, and lower interest charges of £2.23m (£4m) also helped the group's return to pre-tax profits.

As promised last September the company is paying a maintained final dividend of 1.7p making a same-again total of 3.4p for the year. This is just covered by earnings per share of 3.5p (7.9p losses).

● COMMENT

Prowting's land bank, including 2,000 plots acquired with Galliford, is in the books at an average cost of £11,400 per plot, or £130,000 an acre – a slightly higher price than 12 months ago but enough to provide a more than healthy margin of 17.2 per cent. To replace this land would cost £250,000 an acre at current prices. Few housebuilders will achieve better margins. The company's virtues, however, are already recognised in a share price which has outperformed the sector by a fifth during the past 12 months. Pre-tax profits of £9m would put the company on 21 times earnings which is high enough given Prowting's justifiable concerns over the mismatch between land and house price increases.

Babcock ends year with £41m deficit

By Andrew Baxter

Babcock International, the engineering contracting and materials handling group, yesterday announced a pre-tax loss of £41.2m for the year ended March 31, compared with a profit of £21.1m last time.

The result is exactly in line with preliminary estimates announced on April 21, when Babcock unveiled a 4-for-7 rights issue to raise about £78.6m, a new three-year corporate plan and a major restructuring of its energy division.

The shake-out, involving 420 more job cuts at Babcock's Renfrew plant in Scotland, produced a £25m provision for restructuring, the main reason for the sharp fall into loss.

There was also a £7.9m provision on discontinued businesses in South Africa, offset by credits totalling £3.4m.

Before the exceptional items, the pre-tax loss was £11.7m (£34.1m profit). Turnover rose from £748m to £805m, of which all but £3.7m came from continuing businesses.

As stated last month, Babcock is not paying a final dividend – it paid no interim either. The board said it would resume payments once the group's performance has improved in line with the expected benefits of the new corporate plan.

After tax and minorities, the retained loss for the year was £45.5m, compared with a deficit of £2.02m in 1992/93. Losses per share, on a net basis, were 8.46p, compared with earnings of 1.72p.

Babcock also yesterday issued a pro-forma balance sheet showing the effect of the rights issue as if it had been received on March 31. This assumes that £41.3m of the proceeds has been set off against borrowing and the remaining £37.3m has been added to cash and bank balances.

Net assets on the pro-forma balance sheet are £126m, compared with a reported £47.3m at March 31 and £92.9m in 1993.

All change on the Weston front

Maggie Urry looks at the reorganisation plans for AB Foods

The complexity of the rearrangement of Associated British Foods' ownership belies the simplicity behind the plan.

The need of the majority owners – the 40 or so members of the Weston family – is to make their tax planning easier, while the minority shareholders of AB Foods, with 37.3 per cent of the company, need to be assured that they are not being disadvantaged in any way.

The answer will be to transform George Weston Holdings, the current immediate parent of AB Foods, into an exact replica of its subsidiary, get a listing for its shares and change its name to Associated British Foods.

Minority shareholders will end up with exactly the same number of shares in a company with exactly the same assets, and exactly the same board of directors. One layer of the hierarchy of ownership will have been removed.

The deal requires approval from 75 per cent of those minority shareholders who vote at a special meeting on June 20. For their trouble, shareholders will receive a 10p a share special dividend, which compares with AB Foods 15p total payment last year. The entire cost of the exercise, which runs into millions of pounds, will be borne by the family.

Lazard Brothers is advising the Weston family and Robert Fleming is advising AB Foods and its minority shareholders. Fleming said yesterday it was sure that these shareholders would be no worse off through the deal.

One difference that the rearrangement may make, though, is that trading in the shares could become more liquid. Part of the Weston family's holding will in future be a direct 11.8 per cent stake in the quoted company.

Another is that AB Foods will in future comply with the Cadbury code on corporate governance. Two non-executive directors are to be appointed and audit and remuneration committees set up. This suggests at least a formal bow to institutions' desire to see a board shaped more in the "normal" public company mould.

However, Mr Garry Weston, chairman of AB Foods, appears to have a dim view of the Cadbury guidelines. He says the two non-executives would "do the job the institutions want done. The KGB job".

He says that AB Foods "has been run for the benefit of shareholders because the family are the shareholders. There are no Rolls Royces, no chauffeurs. I don't think we need to be taught anything about corporate governance."

And he insists the family intends to retain control of the quoted company. He believes that family ownership has given AB Foods a long-term investment timescale, and allowed it to grow organically from a market capitalisation of £91m when he took the chair in 1967 to £2.7bn now. Over the same period the family has increased rather than cut its stake, and no new shares have been issued.

But the reorganisation could be a small step on the road to an eventual reduction in the family stake below 50 per cent. If that happens, AB Foods could lose the advantages Mr Weston sees in family control for the sake of a becoming a company with which institutional investors feel happier.

The reorganisation will make the ownership structure slightly less complex than the one set up by Mr Weston's father.

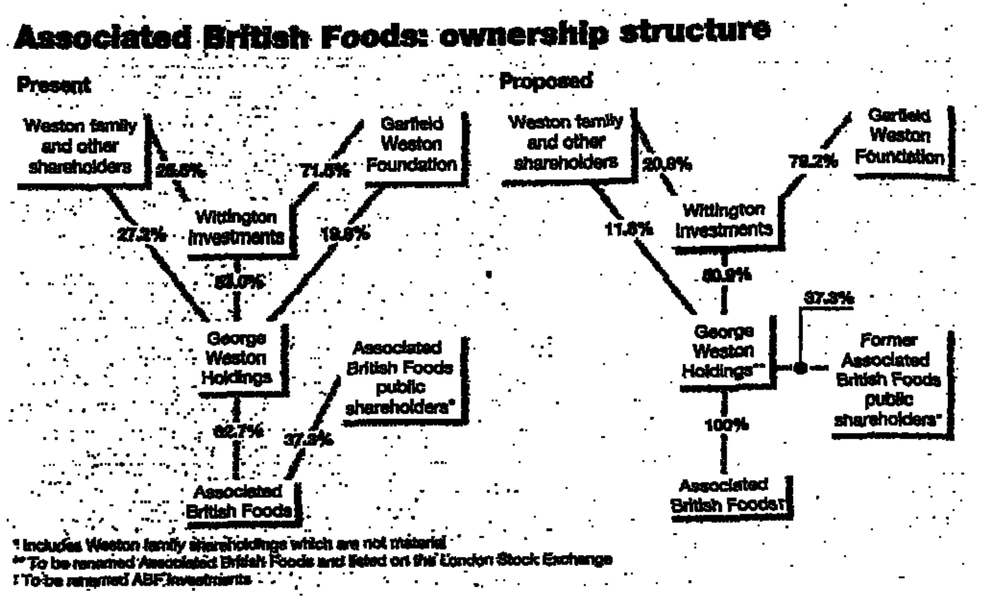
At present, GWH holds a 62.7 per cent stake in AB Foods, and holds other assets worth about £300m. These comprise £230m of cash, mainly dividends accumulated from AB Foods over the years, plus a controlling stake in Fortnum and Mason, the Piccadilly department store, and some property investments. This company has been regarded as the "family money box" but the family has been unable to get its hands on the cash.

The plan is for GWH to sell the non-AB Foods investments mainly to its parent, Wittington Investments, and buy in 10 per cent of its share capital, paying £100m in cash to family members in the process and increasing the stake in GWH held by Wittington and by the Garfiel Weston Foundation, a charity. GWH will also pay a dividend to its shareholders and sell its non-AB Foods assets to Wittington.

That will leave GWH with its stake in AB Foods and about £60m in cash, which will cover the £45m cost of a 10p special dividend to shareholders, and the costs of the reorganisation, including stamp duty.

The share capital of GWH will then be reorganised to replicate that of AB Foods, and GWH will make its 1-for-1 share offer to AB Foods shareholders.

AB Foods listing will terminate on Friday July 29 and the renamed GWH will obtain a listing with the shares due to start trading the following Monday, August 1. The special dividend will be paid on October 14.



Disposal helps API to 54% interim growth

By David Blackwell

The disposal of its heating and ventilating business helped API Group, the packaging, coatings and office products company, to lift interim profits by 54 per cent.

Pre-tax surplus for the six months ended April 2 rose from £1.97m to £3.01m, while turnover improved 14 per cent to £37.4m (£32.8m), with £1.39m (£1.78m) from discontinued activities.

Mr Michael Smith, chief executive, said he was pleased with the growth adding that the second half was traditionally stronger. The group had the capacity to make sales of £100m "with very little capital expenditure".

Operating profits were £2.81m (£1.97m), including £185,000 from Diffusion Environmental Systems, the heating and ventilating business sold in February for £1.5m cash, giving a profit of £815,000 after expenses.

Earnings per share rose from 6.4p to 9.55p. The interim dividend is lifted from 3.35p to 3.7p.

The foils and laminates division, which makes packaging, reported operating profits up from £1.37m to £2.11m on turnover of £24m (£20m). Mr Smith said the division had benefited from new products and growth in market share. It had also worked hard to keep stocks down and to speed up response times.

The coatings and office products division improved sales from £11m to £12m, with operating profits just ahead at £1.17m (£1.14m). The division suffered from the volatility of the Swedish krone, which had a negative effect equivalent to £230,000 on Tenza, based in Sweden.

Sidlaw shares fall 11p as margins are squeezed

By Andrew Bolger

Shares in Sidlaw fell 11p to 338p after the Scotland-based packaging, oil services and textiles company said it was suffering margin pressure.

Turnover leapt from £71.5m to £150.4m in the six months to March 31, thanks mainly to a full contribution from the flexible packaging business which it bought for £79m from Courtaulds last July.

Group pre-tax profits rose 49 per cent to £6.9m and operating profits were 68 per cent higher at £8.8m.

Mr Digby Morrow, chief executive, said he was pleased with the progress made by all three divisions. In particular, the recently acquired flexible packaging business had met expectations so far and had been comfortably integrated.

The packaging division's sales rose from £20m to £83m and operating profits increased from £2m to £5.5m. Although sales and orders held up well, the group said price pressure was relentless and affected profits performance.

Oil services increased sales to £52m (£34m) and operating profits by 2 per cent to £3m. The results included a loss of £274,000 in the Supplylink joint venture set up in 1992 to offer logistics services internationally.

Mr Morrow said that he now expected Supplylink to break even next year – a year later than expected. Without that loss, the division would have shown profit growth of 7 per cent.

The textiles division increased operating profits by 9 per cent to £326,000.

Earnings per share rose to 9.1p (8.8p) and the interim dividend was 4.5p (4.25p).

BMA links up with Air Canada

By Jenny Luesby and Ivor Owen

British Midland Airways yesterday announced a commercial link-up with Air Canada, which will allow the airlines to offer seats on each others' services.

The code-sharing arrangement, which will require government approval in Canada and the UK, is due to start on June 1.

BMA's announcement follows the deal last month between Virgin Atlantic Airways and Delta Air Lines, the third-largest US carrier, based on a similar code-sharing agreement. However, Virgin and Delta also announced their intention to take up block bookings of each others' seats, which BMA and Air Canada will not be doing.

The link will allow Air Canada to connect with BMA from Heathrow to Glasgow, Belfast, Edinburgh, Leeds, Bradford and Teesside. Passengers will be able to collect their connecting flight board passes and select seats at the point of departure.

BMA began similar code-sharing arrangements with United Airlines of the US in April 1992, and with American Airlines in November 1993, and yesterday said it would be pursuing further such deals.

Meanwhile, Mr John MacGregor, the transport secretary, yesterday confirmed to the Commons that he had recently put new proposals to the US in an attempt to break the deadlock in talks over the liberalisation of air services.

BPC joins market with £250m tag

By Paul Taylor

British Printing Company, the UK's largest commercial printer, confirmed yesterday that it planned to come to market via a placing and public offer this summer, which is expected to value the group at £250m.

BPC, known as BPCC before its January 1989 management buy-out from the late Mr Robert Maxwell's business empire, claims a 20 per cent share of the UK magazine printing market.

It prints more than 1bn magazines each year including eight out of the top 10 weekly magazines. Among its titles are the Radio Times, TV Times, Bella and Woman's Own.

The group operates three main printing businesses, magazines and catalogues, cartons and labels, and books and journals. It produced operating profits of £19m last year on turnover of £317.6m.

Commenting on the flotation plans, Mr John Holloran, the chief executive who led the management buy-out, said now was the right time to come to the market because of the recovery in the printing market.

He said a listing would enable the group to take full advantage of improving economic conditions and reinforce the group's reputation in the markets it serves.

Since the buy-out the management has restructured the group which now operates from 25 main locations and has a workforce of 5,100. A £110m capital investment programme has been undertaken.

APH listing this month

By David Blackwell

Automotive Precision Holdings, a precision engineering company that exports 80 per cent of its products to North America, is planning to come to the market later this month with a valuation of around £50m.

The company was bought by the management four years ago for a total of £5.7m from Hunting, the defence, aviation and oil group. Mr Stefan Petszaft, managing director, said the team of five managers in the buy-out team were expecting to retain 50 to 55 per cent of the equity after flotation. The company would receive only £2.5m of the new money, which would be used for costs, repayment of borrowings and additional working capital.

APH was breaking even on turnover of £14m at the time of the buy-out. Last year profits before non-recurring items were £4.9m on turnover of £17m. Pre-tax profits were £1.9m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
API ....int	3.7	July 1	3.35	-	8.25
Babcock ....fin	nil	-	1.1	nil	2.1
Brown (N) ....fin	5.75	July 29	5.05	8	7
Jos Holdings ....int	2.875	July 8	-	-	11.65
MMT Computing § ....int	1.5	July 1	1.25	-	4
Parkland ....fin	3	July 18	1	5	2
Prowting ....fin	1.7†	July 11	1.7	3.4	3.4
Sidlaw ....int	4.5	July 15	4.25	-	10.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Maid shares rise on bullish statement

By Paul Taylor

Shares in Maid, the business information supplier, rose by 4p to 74p yesterday after the group, which came to market via a placing in March at 110p, issued a bullish trading statement.

Maid's board said trading results for the current year "are ahead of budget and significantly ahead of the same period in 1993".

The statement added that, "new clients have been acquired at a rate considerably in excess of last year and the high rate of renewals has been maintained."

Mr Dan Wagner, the chairman, said that the statement had been issued in response to a broker note forecast, issued by Hoare Govett, the group's stockbroker, which he stated forecast a £1m profit this year and a £5m profit for 1995.

COMPANY NEWS: UK AND IRELAND

Pausing for breath at B&J

By Andrew Bolger

Shareholders in Brown & Jackson, owner of the lossmaking Poundstretcher chain of discount stores, will have several weeks to weigh rival offers for the group, which yesterday revealed a further recent deterioration in sales.

An extraordinary general meeting called to approve a capital injection by the Weisfelds, the millionaire couple who created the What Everyone Wants discount clothing chain, was yesterday unanimously adjourned so that shareholders could also receive details of the latest rescue proposal, from Pepkor, South Africa's biggest retail group.

The Weisfelds had offered to inject an initial £6m, in return for a 19 per cent stake and two seats on the board. If their investment had reached its maximum of about £28m, their stake would have reached 42 per cent. Pepkor has proposed injecting an initial £20m, but will receive a 63 per cent stake if it puts in the full £56.2m proposed.

Mr John Jackson, B&J's chairman, said yesterday's meeting was being held in "slightly unusual circumstances", in that the board had initially recommended the Weisfeld scheme, but had then switched its support to the Pepkor offer, which was only agreed late on Friday.

Mr Gerald Weisfeld said: "What this company needs is not just cash, but expertise and individual experience in this sector."

Mr Weisfeld also said that B&J had not given satisfactory assurances that Mr Philip Green had not and would not become involved with the Pepkor offer. Mr Green was chairman of Amber Day Holdings when it bought WEW from the Weisfelds in 1990, but the couple resigned the following year after policy disagreements.

Mr Jackson said he had received categorical assurances from Pepkor that neither Mr Green, not any other third party, was involved in the South Africans' proposal.

Yesterday's egm was adjourned until May 31, when the Weisfeld offer seems likely to be voted down. Another egm to consider the Pepkor offer will be called three weeks after a circular detailing the South African offer is posted, which is likely this week.

B&J said that its current financial difficulties had led to some creditors delaying supplies and in the last four weeks like-for-like sales were 10 per cent below last year's level.

Confident of adding some pep

Mark Suzman on the rationale for Pepkor's interest in Brown & Jackson

Pepkor believes the strategy which has built it into South Africa's largest retailer will help it turn round Brown & Jackson, the troubled British retailer which it is seeking to control.

"We've felt for a long time that our 'Pep retail formula' would be applicable anywhere in the world with a large, low-income mass market," says Mr Christo Wiese, Pepkor's executive chairman.

"We have a lot of experience in running a large number of relatively small retail outlets over a wide geographical area with a highly simplified and effective distribution system that we think will be applicable to the UK market," notes Mr Wiese.

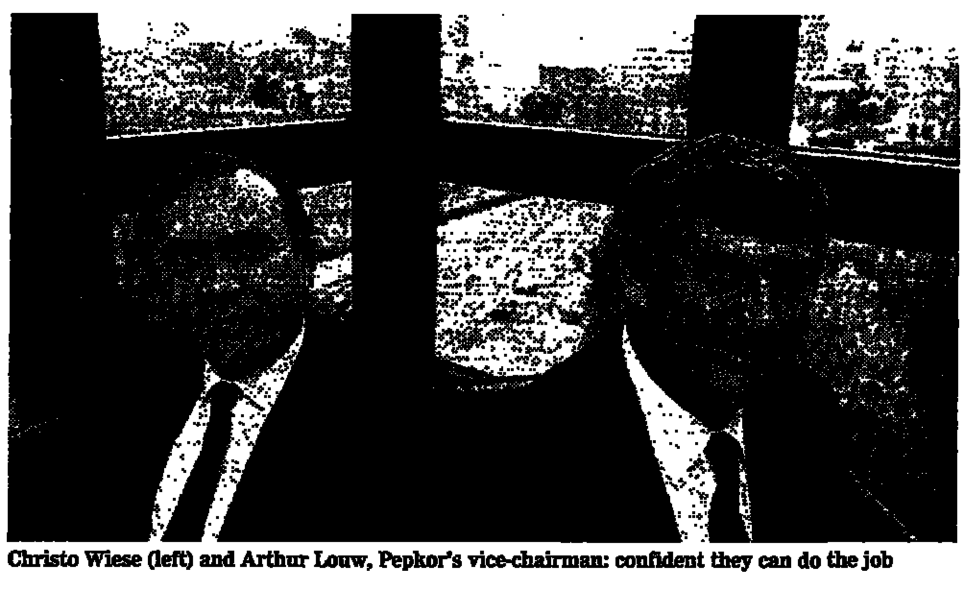
Building off its domestic base, Pepkor has been focusing on overseas expansion for several years, and by the end of last year its Scottish chain, Your More Store, had grown to 45 outlets.

Operations have been relatively successful to date, with 13 new stores opening in the first half of financial 1994 and another three in the second. Despite the costs of the expansion programme, the group has managed to break even and states that most of its stores are profitable.

However, Pepkor's management has long had its eye on expanding into England, especially the north, with a declared long-term target for a 200-store chain.

The acquisition of Brown & Jackson, with its 230-store Poundstretcher chain, would more than satisfy that goal and turn Pepkor into the biggest player in this sector of the British retail market.

Turning Poundstretcher around will be a tall order, but



Christo Wiese (left) and Arthur Louw, Pepkor's vice-chairman: confident they can do the job

Mr Wiese and his team are confident they can do the job. And although there is some concern over whether the company has sufficient management breadth to digest these acquisitions without diluting management for its domestic questions, the company is sure this will not happen.

"We have sufficient management depth to help Poundstretcher return to profitability without any problems for our southern African operations," says Mr Wiese.

Pepkor, which is Africa's largest retailer with annual sales for R8.24bn, (£1.13bn) has been a star stock over the past five years, posting annual earnings per share gains averaging nearly 20 per cent despite a four-year recession in its home market.

It owns 1,700 stores and has 40,000 employees throughout southern Africa. It focuses on mass-market retailing in food, clothing and business materials industries, and has some manufacturing of semi-durable goods related to its own activities.

The group's main division is Pep stores, with more than 1,100 outlets. It is a mass market retail group that primarily targets the country's black consumer base.

In this area of down-market retailing the company's long-term performance has been spectacular, and no other South African company has been able to match it.

And although its most recent year was a difficult one, as operating profit declined 8 per cent due to a combination of low consumer activity and destabilisation in the black townships in the run-up to the elections, this is expected to improve significantly over the next year.

Through much of the 1970s and 1980s Pepkor was regarded as something of a backwoods group, reflecting its origins as an Afrikaaner dominated company concentrating on small towns. But over the past few years it has catapulted over some of its blue-chip competitors with a string of acquisitions.

In addition to taking over Cashbuild, the building materials company, and Smart Centre, the clothing group, it has also bought Shoprite/Checkers, the supermarket chain, and managed largely to turn around the ailing company.

Its manufacturing operations have long worked at full capacity, and profit growth has been dependent largely on productivity increases, which the company has consistently achieved. It is this kind of management attention and marketing skill that will be transferred to Poundstretcher if the deal goes ahead.

Parkland returns to black with £2.2m

By Simon Davies

Parkland Group, the Bradford-based textile company, yesterday announced its return to profitability in the year to February 27, helped by the write-back of provisions and a 19 per cent increase in sales from continuing operations.

Pre-tax profit amounted to £2.2m, compared with a £1.6m loss a year earlier. However, the 1993 figure was hit by a £704,000 provision, of which £694,000 was written back in the latest results, following the disposal of Maitland.

The management is predicting more modest sales growth in the current year. It expects to achieve further reductions in its cost base, but in the longer term it could be affected by increasing raw material costs, primarily wool.

The share price fell 18p to 220p, as a result of yesterday's cautious trading statement.

Last year Parkland disposed of its remaining garment manufacturing businesses to refocus on its core area of spinning and fabric production. Total turnover for the year was down from £58.9m to £54.8m, but sales from continuing businesses increased sharply from £44.1m to £52.5m.

Parkland has made a substantial push to expand its export markets, and export sales increased by 24 per cent to £11.4m, representing 22 per cent of total sales from continuing businesses.

Gearing has been reduced from 31 per cent to 16 per cent, and Mr Bryan Lodder, chief executive, said the company would increase capital expenditure from £2.5m in 1994, to maintain its position in an increasingly competitive market.

The company is proposing a final dividend of 3p, making a total of 5p for the year, compared with 2p in 1993.

Earnings per share on a net basis amounted to 19.7p, against losses of 19.3p last time. On a nil basis they emerged at 21.1p (18.7p).

Costain's coal activities in US hit by bad weather

By Andrew Taylor, Construction Correspondent

Shares of Costain, the construction and mining group, fell almost a tenth yesterday following a warning that US coal profits had been hit by bad winter weather and operational problems during the first three months of this year.

Sir Christopher Benson, chairman, told the annual meeting that it would not be possible to recover the profit shortfall during the remainder of the year.

Costain's share price fell from 33p to 30½p. The group said later that it had suffered from some minor geological problems which now had been resolved.

Costain returned to the black last year making pre-tax profits of £68.7m compared to a £204.6m loss in 1992. All but £300,000 of the 1993 figure arose from the sale of the group's Australian coal mining business to Peabody, part of Hanson, the industrial conglomerate.

The sale, together with proceeds from last autumn's £83.9m rights issue, enabled Costain to reduce net debt from £331m to £83m and gearing to 37 per cent of increased shareholders' fund of £228m.

Since the year-end the group has sold its remaining Australian property interests for A$27.1m (£12.8m), making a small profit on the deal. The engineering and construction division had also won some valuable new contracts, Sir Christopher said.

Nonetheless, conditions remained very difficult in the UK and overseas. UK construction margins, in spite of reports of increased orders won by the industry, remained slim. As a result Sir Christopher said short-term profitability remained under pressure.

Exceptional goodwill charge puts Elan I£49.5m in red

By Tim Coone in Dublin

Elan Corporation, the Athlone-based pharmaceutical company, reported a pre-tax loss of I£49.5m (£48.3m) for the year to March 31 after exceptional charges of I£85.1m relating mainly to goodwill write-off of an acquisition. The previous year there was a profit of I£22.5m.

Operating profits were ahead by 47 per cent from I£19.8m to I£29.1m on turnover up 19 per cent to I£107m (I£89.8m). A breakdown of turnover showed the main growth occurred in royalties up from I£12.6m to I£19.9m, licence and option fees from I£5.72m to I£13.5m, and manufacturing and distribution income from I£57.3m to I£58.9m.

Losses per share came out at 144p, against earnings of 67p. No dividend is payable, as under New York Stock Exchange rules, where the company has its primary listing, Elan is classified as a growth stock and not permitted to pay dividends.

It has I£148m in cash and short-term investments, I£95m of which was raised in an issue of subordinated loan notes in October 1992.

Mr Tom Lynch, financial director, said: "This gives us the strength and leverage to fund acquisitions and organic growth." He added, however, that the company had no plans at present to make an acquisition.

Elan has built up a niche market in the development of dermal patches and by extending the patents of established pharmaceutical products through their further development in making their gastric absorption more controlled, facilitating once-a-day dosage.

Elan has 19 products approved for distribution in 44 countries, which focus on the treatment of chronic ailments such as cardio-vascular and arthritic diseases.

It plans to have a range of new electrical trans-dermal drug delivery devices on the market before the end of the decade.

DCC advances 49% to I£22.2m

By Tim Coone

DCC, the private Dublin-based industrial holding company which plans a public flotation at the end of this month, has reported a 49 per cent increase in pre-tax profits to I£22.2m for the year ending March 31 1994.

The advance was achieved on turnover up 36.7 per cent from I£246m to I£336m, including associated undertakings. The 1993 results are restated putting the accounts on a fully consolidated basis.

The company has spent I£33.4m on acquisitions in the past year, making a total of I£76.8m spent on its acquisition programme over three years.

In addition, capital investment of I£37.1m has been undertaken over the same period. Net debt at the year-end is reported as I£1.5m, representing 1.8 per cent of shareholders' funds of I£100.8m.

Mr Jim Flavin, chief executive, said "This has been achieved without any recourse to shareholders in the past three years, and demonstrates the profit and cash generative quality of the business".

The company has not given a detailed profit and turnover breakdown by division, but its flotation prospectus is due out this Thursday.

A 5-for-1 share split was carried out last March, making a total of 71m shares in issue, 95 per cent of which are held by institutional investors. Bank of Ireland sold off its 20 per cent stake in the group last December for I£10 per share, before the share split.

The company expects to raise less than I£25m in the flotation, its main purpose being to obtain a listing in London and Dublin. A flotation price in the range of I£2.50 to £3 range is anticipated, which will give a post-flotation market capitalisation in the region of I£250m.

Earnings per share were 19.56p (16.82p) and a second interim dividend of 3.896p makes a total for the year of 5p (2.3p).

Unit trust sales help Pearl to £130m

By Alison Smith

Pearl Group, the life and general insurer, achieved a 40 per cent increase in pre-tax profits to £130.3m for the year to end-December, helped by a steep rise in unit trust sales which offset a sharp fall in single premium business.

Mr David Gordon, chief actuary, said the prime cause for the fall in single premium products was the closure of Pearl's intermediary sales unit, as the company focused on its core business areas of the home service operation – selling products through branches and home collection.

The fall in new single premium business had a sharp impact on the total premium income of the ordinary branch business which fell from £942m to £786.4m . Industrial branch business held up rather better, slipping only from £203.2m to £195.9m.

Mr Gordon said the group had made "appropriate" provisions in respect of its possible exposure to compensation as a result of mis-selling of pension transfers. Pearl, a part of the Australian Mutual Provident Society, has a large share of the pension transfer market, with an estimated 50,000 cases.

Total premium income fell to £982.3m (£1.15bn), with new single premium business dropping to £407.8m (£619.8m). New annual premium business stood at £107.1m (£109.7m).

Profits from general insurance rose from £7.4m to £21.3m while profits from unit trusts rose from £400,000 to £6.3m.

NEWS DIGEST

40% rise for MMT Computing

MMT Computing, the USM-quoted computer services company, enjoyed an excellent first half according to Mr Mike Tilbrook, chairman. Pre-tax profits advanced 40 per cent from £865,000 to £1.21m in the six months to February 28.

Mr Tilbrook said that the comparative period had benefited from profits on the sale of investments of £225,000, against £55,000 this time. Taking out that effect, profits showed an improvement of more than 80 per cent.

Turnover was 52 per cent higher at £4.82m (£3.17m). Earnings per share advanced from 4.8p to 6.4p and the interim dividend is being increased from 1.25p to 1.5p.

The shares rose by 5p to close at 180p.

Sotheby's incurs $5.1m first quarter

Sotheby's Holdings, the parent company of Sotheby's New York-based auction, finance and real estate operations, suffered net losses of $5.1m (£3.5m) for the first quarter of 1994, against $5.2m.

Auction sales amounted to $161.3m ($129.6m).

Electron forecasts year-end upturn

In a trading statement the directors of Electron House, the electronic components distributor, forecast sales for the year ended May 31 1994 to exceed £100m, compared with £78.4m for the previous year.

The shares responded with a rise of 9p to 154p yesterday.

With demand for microprocessors particularly strong, "the rate of growth of sales in the UK components companies has accelerated", the directors stated.

They anticipated having no debt at the year-end and added: "Overall we expect our performance for the year to be in excess of current expectations."

Logica buys US software provider

Logica, the computing services concern, is acquiring the assets and some liabilities of Precision Software Corporation of the US for an initial $3.3m (£2.26m).

Precision, founded in 1984, provides loan syndication and administration software to more than 100 banks and financial services organisations.

The consideration will be followed by a further $2m upon certain targets being met. And there are provisions for $7m to be paid on a performance-related basis running until June 1998.

MEPC in £16.5m Australian deal

MEPC yesterday announced a A$34.5m (£16.5m) acquisition of an office building in Brisbane, which is the first of a series of planned investments in Australia.

The 111,442 sq ft building at 60, Edward Street, Brisbane, is occupied by a number of companies including Santos Australia, Comcare, Placer Industries and the Queensland Mining Council.

MEPC said that its Australian acquisitions, which will focus on Queensland and New South Wales, will be funded partly by last June's £222m rights issue.

Chartwell £22m property swap

Chartwell Land, the property arm of Kingfisher, the retail group, has swapped £22m of property with Shell Pensions Trust.

Shell Pensions Trust has bought six industrial estates from Chartwell Land. In part exchange, Chartwell Land has bought Brislington Retail Park in Bristol and a retail warehouse in Fareham. It has also received a cash payment of about £4m.

Cornwell Parker makes £1.1m buy

Cornwell Parker, the furniture and fabrics group, has acquired certain of the assets of Minty Design Furniture from Mines & West Holdings for about £1.1m, payable in cash.

Minty designs and makes chairs and settees and had sales of $2.9m (£2m) in the year to March 1994, of which about 40 per cent were to continental Europe.

Hambro Countrywide buy

Hambro Countrywide, the estate agent and financial services chain, has acquired Nationwide Relocation – the relocation arm of the Nationwide Building Society – for £1.7m cash.

The purchase includes the occupational lease on Nationwide Relocation's headquarters building in Basingstoke, Hampshire.

COMMODITIES AND AGRICULTURE

Copper boosted to 13-month peak

By Kenneth Gooding, Mining Correspondent

Speculative buyers boosted the copper price to a fresh 13-month peak in late London trading yesterday. Copper for delivery in three months touched $2,078 a tonne, nearly 10 per cent ahead of the price only a week ago.

The market also moved into a modest backwardation, where a premium has to be paid for metal for immediate delivery – evidence, according to some analysts, that physical metal is not as freely available as present high stock levels would suggest.

Three-month copper earlier closed in London at $2,056.50 a tonne, up $29.

Mr Ted Arnold, analyst at Merrill Lynch, says in his latest Weekly Futures Report that, "everyone we speak to wants to buy [copper] at 85 cents a pound [$1,874 a tonne] which means in reality that prices are most unlikely to move that low".

He says there is evidence that some consumers are giving up just-in-time policies and building modest stocks. And one week of stock held by American and European semi-fabricators would be equivalent to 180,000 tonnes of copper. If end-users also added a week's stock, that would be another 180,000 tonnes.

However, Mr Stephen Briggs at Metals & Minerals Research Services, said today's copper price could not be justified by the fundamentals. MMRS forecast a supply deficit of 75,000 tonnes this year following a surplus of 200,000 tonnes in 1993. Next year there would be big increases in copper mine output, a legacy from the last recession when prices also held up reasonably well and encouraged new production. With 456,400 tonnes still in LME stocks, "consumers don't have to panic".

Further reform of common agricultural policy 'inevitable'

By Alison Maitland

Further reform of the European Union's common agricultural policy is inevitable in the next few years, although it is unlikely to be radical, according to the chief economic adviser to Lloyds Bank, one of Britain's big four high street banks.

Writing in the May issue of Lloyds Bank Economic Bulletin, Mr Patrick Foley argues that the farming lobby will grow weaker as more agricultural jobs disappeared. This will encourage politicians to take action beyond the 1992 MacSharry reforms.

At the same time, increasing cereal yields are likely to mean that subsidised exports from the European Union remain too high to meet the requirements of the Uruguay Round world trade deal, necessitating further internal CAP reform.

He says public pressure for change will also grow because the current reforms have increased the transparency of subsidies to farmers. CAP support in one form or another accounts for half the gross income of a typical 100-hectare cereal farm.

Mr Foley points out that the 1992 reforms encourage production to remain high – the opposite of what was intended. "Because compensation is per hectare, there is an incentive for farmers to keep the maximum possible amount of land in production, subject to set-aside."

Land prices are also likely to remain buoyant for the next few years, because of the set-aside programme and financial incentives for less intensive livestock production.

"It is possible that the 15 per cent set-aside could increase land prices in the short term, as some farmers may choose to buy more land to enable them to maintain past levels of production," he says.

"Equally, beef farmers wishing to change to a more extensive type of farming would need to buy more land."

Evaluating the routes that further reform could take, Mr Foley says a bond compensation scheme may be politically unacceptable, even if economically justified, because of the likely large-scale job losses and sharp fall in land prices that it would entail.

He suggests there will be a mixture of more price support cuts and more set-aside, together with greater limits on inputs such as fertilisers.

Crop worries put wheat market through the mill

World stocks remain tight and harvest prospects now seem less bright than they appeared at first

FARMER'S VIEWPOINT

By David Richardson

If the ash comes out before the oak, they'll be a soak. But if the oak comes out before the ash, they'll be a splash.

This year, in Norfolk anyway, the buds on oak trees came out first, indicating, according to that usually reliable sore that the coming summer may be characterised by occasional light showers rather than steady downpours.

Should that turn out to be the case cereal yields will be adversely affected. For in spite of the freshening rain of last weekend – which was itself a crop-saver on many farms – soils will quickly dry out as temperatures increase and plant transpiration rates rise.

Add to that the legacy of the wet winter, which left many arable fields scarred and bare in places, where lakes of rain water stood for weeks on end and it is hardly surprising that optimism in this area is in short supply this spring.

But it is very easy for a farmer to make judgments on prospects for the entire harvest on the basis of the few fields around his house. Last week I travelled south and west and was surprised to find that in Hampshire, Wiltshire and Dorset winter sown cereals were looking a lot better than those at home, with growth about a couple of weeks further forward. Perhaps the UK harvest will not be a total disaster after all.

These days, however, as the reform of the European Union's common agricultural policy progresses and guaranteed prices decline, the value of UK cereals is coming to rely far more on supply and demand both in the EU and the rest of the world. Current trends suggest that the gap between these factors is narrowing.

Last week, for instance, the UK ex-farm spot wheat price increased by £4 to £119 a tonne and that for June by a similar amount to £120. Both levels were a few pounds above the EU buying in price – and that in spite of recurring stories throughout most of last winter of sizeable, unsaleable surpluses in British barns, which were likely to have to stay there through the next harvest.

Some of the bearish sentiment was undoubtedly inspired by merchants talking down the price. But there was apparent evidence to support their case and many cereal growers who sold early must now be kicking themselves.

Forward prices for next harvest have also risen above support levels. The November intervention price for feed wheat, for instance, is £97 a tonne delivered to the store. But last week it was possible to sell forward to merchants at £98.50 a tonne ex-farm. Bread wheat, or common wheat as it is now known, could be sold for November at £112.50 a tonne, compared with an intervention price of £107.

So, why the turnround? One reason must be that EU-wide domestic demand has increased now that guaranteed prices are lower. It must be assumed too that estimates of the outturn of last years EU harvest were exaggerated.

But it must also have something to do with the tightness of world cereal supplies. According to the April report from the Rome-based Food and Agriculture Organisation, a decline in world wheat output this year may be countered by a recovery in the maize crop. And although availability should be adequate to meet demand stocks will remain close to minimum safe levels.

The report shows that stocks as a percentage of world cereal consumption are expected to decline to 18 per cent this year having been between 19 and 21 per cent during the previous 3 years. Moreover the 1994 figure is similar to the stock level of 1990 and indicates that supplies have been bordering on the critical for at least 4 years.

The FAO has the responsibility to tell of starvation risks around the world so might, perhaps, be accused of stressing potential problems. The International Wheat Council, however, has more commercial priorities and its forecasts coincide with those of the FAO for wheat while painting a worse picture for maize. According to the IWC world maize stocks are set to decline by about 5 per cent this year.

There are reports, moreover, of poor growing conditions for winter-sown cereals in Russia and Ukraine, while shortages of inputs have also caused problems with spring sowing. Canada and China are both expected to produce lower tonnages this year and there are frost problems across the high plains of the US, which may have damaged spring plantings. A useful guide to future world prospects for wheat can usually be gained from the USDA's decision on the level of set-aside, or acreage reduction, it imposes on farmers wishing to qualify for crop loans. The decision for 1995 is expected within the next two to three weeks and rumours from Washington are already suggesting that the set-aside for wheat will, as last year, be zero.

Meanwhile, in spite of obviously tightening supplies, most British and European arable farmers will again have to set-aside 15 per cent of their cereal land. But they are now becoming reconciled to it, and as long as they continue to be compensated for leaving land uncropped and the market for the crops they do grow stays as lively as in recent weeks they should not complain too much.

MARKET REPORT

Coffee gains consolidated

COFFEE traders had a more subdued day than of late, as markets on both sides of the Atlantic consolidated recent gains.

Futures prices opened firm, boosted by Friday's strong close in New York, and then light trade and fund buying pushed a thin morning market up $58 to a high at $1,848 a tonne for three months metal. But New York's failure to break 105 cents a pound prompted scattered profit-taking and the London price eased to $1,812 at the close, up $22 on the day.

The London COCOA market had a positive morning but trading remained technical and lacked the underpinning of solid industry buying. The July delivery position at the London Commodity Exchange closed at £933 a tonne, up £4.

At the London Metal Exchange ALUMINIUM capitalised on copper's strength (see story above), working back above the $1,330 a tonne level for three months delivery, and setting itself up for another test of the resistance in the mid-$1,330s.

The PRECIOUS METALS retained most of their weekend gains after New York opened modestly lower in line with expectations.

The GOLD price closed in London at $381.25 a troy ounce, up $5.95 from Friday's close, while SILVER ended with a 21 cents gain at $5.41½ an ounce. PLATINUM was up $7.65 at $397.15 an ounce.

Dealers said there was some follow-through buying in New York by the investment that had sparked the late rally on Friday. Some dealers had been concerned that New York might sell-off if it opened at more or less unchanged levels.

Compiled from Reuter

India expected to miss its foodgrain target despite good monsoon

By Shiraz Sidhwa in New Delhi

India's foodgrain production during 1993-94 is expected to be 179.1m tonnes, falling short of the target of 188m tonnes, and marginally lower than last year's record production of 180.01m tonnes, despite a good monsoon for the sixth consecutive year.

The ministry of agriculture said in its annual report released yesterday that an uneven distribution of rainfall with very wet periods at the beginning of the monsoon season followed by long dry spells in August over north-west India, had resulted in most targets not being met.

Production of some oilseed crops has been affected, with the groundnut crop in the Saurashtra and Kutch regions suffering from a deficient south-west monsoon. But a bumper soyabean crop is expected to boost oilseeds production to 20.5m tonnes from 20.27m tonnes last year.

Floods in nine Indian states in the north and the east, and inadequate rainfall in Bihar and Uttar Pradesh at the beginning of the season have also played havoc with cash crops. The production of jute and mesta during 1993-94 is expected to fall to 8.3m bales (of 180kg each), from 9m bales last year. Cotton production is also expected to be lower than last year's, falling to 10.6m bales from 12.5m bales. Sugar-cane production is likely to remain at last year's figure of 231.01m tonnes, falling short of the target of 250m tonnes.

The ministry has initiated a series of programmes to help state governments to increase crop productivity, for wheat, maize and millet, rice, cotton and jute.

Farmers are being encouraged to use new, high-yielding varieties and environment-friendly pesticides.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1301-2	1328-9
Previous	1307-08	1322-3
High/low	-	1337/1324
AM Official	1300-1	1326.5-7.5
Kerb close		1333-4
Open int.	246,313	
Total daily turnover	39,116	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1290-5	1305-10
Previous	1295-300	1305-10
High/low	1295	1315/1310
AM Official	1295-7	1310-1
Kerb close		1310-20
Open int.	4,157	
Total daily turnover	681	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	481.5-2.5	478-9
Previous	468.5-9.5	484.5-5.0
High/low	463	485/475
AM Official	462.5-3.0	479-7
Kerb close		43-4
Open int.	35,457	
Total daily turnover	4,052	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5760-70	5835-40
Previous	5705-10	5775-80
High/low	5720	5820/5880
AM Official	5705-10	5790-5
Kerb close		5870-75
Open int.	55,405	
Total daily turnover	13,611	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-55	5420-25
Previous	5445-50	5505-10
High/low	5360/5355	5490/5320
AM Official	5355-65	5420-5
Kerb close		5460-70
Open int.	16,963	
Total daily turnover	6,280	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	955.5-6.5	977-8
Previous	956.5-7.5	977-7.5
High/low	-	986/974
AM Official	953-4	976-7
Kerb close		977-8
Open int.	101,606	
Total daily turnover	19,817	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2056.5-6.5	2056-7
Previous	2019-20	2027-8
High/low	2041	2078/2037
AM Official	2040-1	2048-9
Kerb close		2077-8
Open int.	186,347	
Total daily turnover	91,306	

■ LME AM Official £/$ rate: 1.4960
LME Closing £/$ rate: 1.4965
Spot:1.4983 3 mths:1.4967 6 mths:1.4966 9 mths:1.4965

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
May	97.80	+2.25	97.80	94.90	4,191	40
Jun	97.65	+2.15	97.65	96.00	1,016	21
Jul	97.55	+2.10	97.60	94.80	371	674
Aug	97.15	+2.10	-	-	417	23
Sep	96.70	+2.05	96.80	94.25	7,523	30
Oct	96.45	+2.05	-	-	206	15
Total					22,969	1,013

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.00-381.50	
Opening	381.85-382.25	
Morning fix	381.40	255.237
Afternoon fix	381.00	254.679
Day's High	382.25-382.75	
Day's Low	380.90-381.40	
Previous close	374.50-374.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.90	6 months	4.47
2 months	4.02	12 months	4.94
3 months	4.18		

Silver Fix	p/troy oz.	US cts equiv.
Spot	360.60	539.50
3 months	365.20	545.86
6 months	369.70	552.55
1 year	380.25	568.20

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	259-262
Maple Leaf	391.90-394.35	
New Sovereign	89-92	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
May	381.2	-2.2	-	-	-	-
Jun	382.3	-2.2	383.5	381.5	77,024	83,656
Jul	383.8	-2.2	-	-	-	-
Aug	385.1	-2.2	386.3	384.5	17,680	4,289
Oct	388.3	-2.1	388.8	387.7	5,022	35
Dec	391.6	-2.0	393.0	391.0	14,395	969
Total					141,854	90,212

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	400.9	+1.9	402.9	398.5	17,113	4,612
Oct	403.1	+2.0	403.5	401.0	2,491	151
Jan	404.6	+2.4	402.5	-	836	8
Apr	405.1	+2.5	408.0	405.0	928	5
Total					21,368	4,776

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	138.00	-2.75	139.50	137.75	3,019	1,013
Sep	137.85	-2.75	139.00	137.75	1,901	449
Dec	138.10	-2.50	-	-	462	2
Mar	137.60	-2.60	-	-	6	-
Total					5,388	1,464

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
May	540.9	-2.6	542.0	537.5	1,626	732
Jun	541.9	-3.0	-	-	3	8
Jul	544.5	-3.0	548.0	540.5	82,844	38,196
Sep	549.5	-2.8	553.0	545.0	8,070	539
Dec	557.1	-2.6	560.0	554.0	11,757	660
Jan	559.2	-2.6	-	-	32	-
Total					117,248	40,614

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	17.74	+0.04	17.85	17.45	122,467	84,069
Jul	17.34	-	17.45	17.14	76,290	36,204
Aug	17.18	+0.01	17.25	17.00	36,789	13,151
Sep	17.08	-0.01	17.16	16.92	26,432	9,839
Oct	17.04	+0.01	17.08	16.90	18,156	5,668
Nov	17.01	+0.01	17.04	16.90	12,109	4,361
Total					438,982	146,882

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	16.21	-0.07	16.33	16.08	82,549	26,394
Jul	15.98	-0.08	16.10	15.90	53,878	18,204
Aug	15.86	-0.08	15.98	15.81	17,492	3,874
Sep	15.78	-0.13	15.92	15.73	12,342	2,641
Oct	15.79	-0.07	15.89	15.76	5,552	1,010
Nov	15.79	-0.09	15.90	15.76	4,273	720
Total					163,191	57,120

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	48.25	+0.15	48.55	47.55	47,834	13,983
Jul	48.55	+0.20	48.80	47.90	31,949	8,318
Aug	49.05	+0.10	49.30	48.60	13,676	2,786
Sep	50.00	+0.20	50.15	49.60	11,039	1,215
Oct	50.80	-0.05	51.00	50.85	7,039	158
Nov	51.70	+0.10	51.91	51.50	5,426	172
Total					144,865	28,990

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	154.75	+2.00	155.50	153.25	19,540	4,491
Jun	153.50	+1.25	154.25	152.25	27,172	6,791
Jul	153.75	+1.00	154.50	152.50	16,398	1,886
Aug	155.00	+0.50	155.50	154.50	6,456	398
Sep	156.75	+0.75	157.00	155.50	6,240	530
Oct	159.25	+0.50	158.50	158.00	5,606	367
Total						

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	1.985	-0.052	2.045	1.980	16,524	7,023
Jul	2.030	-0.039	2.075	2.025	14,438	2,374
Aug	2.065	-0.029	2.085	2.050	10,347	926
Sep	2.095	-0.025	2.110	2.080	10,843	293
Oct	2.130	-0.020	2.150	2.135	7,462	245
Nov	2.225	-0.015	2.245	2.230	9,726	468
Total					114,432	19,305

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	50.75	+0.65	51.25	49.70	45,524	14,987
Jul	51.10	+0.42	51.50	50.30	24,873	7,912
Aug	51.05	+0.32	51.50	50.40	12,468	1,409
Sep	50.45	+0.12	50.85	50.00	9,530	1,447
Oct	49.00	+0.12	49.15	48.90	2,018	934
Nov	48.05	-0.03	48.20	48.00	2,193	141
Total					97,372	26,633

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	116.25	-2.00	117.25	115.25	339	49
Jun	115.65	-1.85	117.75	115.50	1,036	101
Sep	99.25	-	99.95	99.25	532	45
Nov	100.15	-0.25	101.20	100.25	1,535	52
Jan	102.30	-0.10	103.00	102.30	1,181	66
Mar	104.00	-	105.25	104.00	294	75
Total					5,072	389

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	319/6	-3/2	321/4	319/4	1,195	1,415
Jul	325/4	-1/4	327/6	325/0	146,066	67,790
Sep	328/4	-1/4	330/4	328/2	34,740	9,695
Dec	339/2	-0/2	340/0	338/0	38,165	19,250
Mar	342/6	+0/2	342/6	341/4	2,610	536
May	337/6	+0/2	-	-	150	-
Total					222,455	98,760

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	256/2	-2/6	258/2	255/2	35,455	11,820
Jul	257/0	-3/0	259/0	256/0	668,410	139,890
Sep	249/0	-2/4	250/6	248/0	168,580	14,815
Dec	241/0	-2/6	243/0	240/4	385,440	51,830
Mar	249/0	-2/0	250/6	249/0	39,690	3,600
May	253/4	-2/4	254/4	253/4	4,440	860
Total					[illegible]	228,595

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	106.00	-2.00	-	-	56	-
Sep	97.50	+0.40	97.65	-	138	5
Nov	99.50	+0.25	-	-	177	-
Jan	100.25	-0.35	-	-	30	-
Mar	101.85	-	-	-	5	-
May	103.75	-	-	-	5	-
Total					411	5

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	663/4	-4/2	668/0	661/0	19,910	12,640
Jul	662/4	-5/0	669/4	660/4	330,285	184,180
Aug	658/4	-5/6	660/0	655/4	62,970	12,590
Sep	632/0	-5/2	635/4	632/0	34,610	2,825
Nov	612/2	-6/0	616/0	612/0	218,320	71,575
Jan	619/2	-4/6	622/4	619/0	21,480	596
Total					708,785	296,990

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	28.40	-	28.92	28.20	4,952	1,419
Jul	28.28	+0.02	28.45	28.09	39,005	9,044
Aug	27.92	+0.01	28.09	27.80	12,296	1,358
Sep	27.34	+0.05	27.45	27.19	10,832	682
Oct	26.35	+0.06	26.40	26.20	8,129	285
Dec	25.52	+0.02	25.65	25.38	15,916	1,704
Total					95,237	14,549

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	186.2	-1.8	187.0	186.1	2,524	1,661
Jul	187.6	-1.6	-	187.4	38,445	15,123
Aug	186.9	-1.3	187.7	186.8	13,126	2,370
Sep	185.0	-1.1	185.8	184.8	8,408	846
Oct	181.8	-1.9	183.5	181.7	5,110	787
Dec	180.6	-1.7	181.7	180.0	16,638	3,144
Total					87,171	23,969

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	262.5	-	-	-	2	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	136.6	-1.1	136.5	135.0	535	36
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					535	36

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
May	1490	+20	1493	1484	687	52
Jun	1395	+11	1400	1390	572	74
Jul	1295	+20	1295	1278	608	89
Oct	1381	+13	1380	1374	267	81
Jan	1397	+14	1400	1394	149	71
Apr	1398	+13	1400	1394	40	18
Total					2,603	385

	Close	Prev
BFI	1453	1443

TEA
Fair general demand, reports The Tea Brokers' Association. Best East Africans and coloury mediums saw a firm market but brighter mediums were often 4 to 8p lower. Plainer Africans also tended easier where sold. Ceylons moved lower, particularly plainer types. Brighter Ceylons and Zimbabwes sold well but prices for lighter, plainer types tended easier. Best available 210p/kg nom (190p/kg), nom good 150p/kg (150p/kg), good medium 130p/kg (134p/kg), medium 116p/kg (116p/kg), low medium 80p/kg (84p/kg) and the highest price realised this week was 211p/kg for a Rwanda pf.1. NB Last weeks' figures shown in brackets.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	899	-4	909	899	377	37
Jul	933	+4	944	925	22,196	3,960
Sep	949	+2	962	943	14,295	1,870
Dec	970	-	984	969	22,707	770
Mar	991	-	1002	988	27,573	947
May	1005	+1	1018	1004	10,257	108
Total					198,576	7,692

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1190	-10	-	-	50	7
Jul	1215	-2	1225	1207	39,469	12,548
Sep	1240	+3	1249	1230	14,289	2,178
Dec	1280	+8	1284	1269	8,847	620
Mar	1314	+8	1316	1307	10,606	20
May	1343	+10	1345	1340	4,889	220
Total					82,158	18,603

■ COCOA (ICCO) (SDR's/tonne)

May 7	Price	Prev. day
Daily	938.43	899.33
May 9		
10 day average	1326.48	1271.38

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1890	+2	1900	1878	2,301	333
Jul	1813	+23	1848	1795	17,513	2,400
Sep	1769	+36	1790	1746	14,419	2,160
Nov	1739	+31	1760	1715	5,941	1,042
Jan	1737	+39	1740	1709	5,923	384
Mar	1708	+23	1703	1700	2,008	24
Total					48,184	6,323

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	108.40	+4.20	107.40	102.75	303	296
Jul	108.90	+4.70	109.20	102.00	34,901	14,886
Sep	108.40	+4.65	108.50	101.80	13,496	5,205
Dec	108.05	+4.95	108.50	101.80	4,104	1,712
Mar	107.75	+4.85	107.00	102.00	3,150	1,025
May	108.00	+5.00	108.00	102.60	402	89
Total					59,463	23,129

■ COFFEE (ICO) (US cents/pound)

May 7	Price	Prev. day
Comp. daily	98.37	94.09
15 day average	85.39	84.28

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.15	+0.25	-	-	2,601	-
Oct	11.99	+0.17	-	-	583	-
Jan	11.82	-	-	-	-	-
Mar	11.60	-	-	-	-	-
Total					3,184	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	335.80	+3.00	338.00	332.60	11,618	1,130
Oct	315.80	+2.50	316.00	313.70	7,242	139
Dec	307.50	+1.70	308.00	306.20	482	50
Mar	308.30	+2.20	308.40	304.50	1,154	82
May	306.30	+2.20	-	-	200	-
Aug	309.60	+2.00	-	-	216	-
Total					26,805	1,481

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.94	+0.22	11.98	11.73	50,824	14,513
Oct	11.72	+0.16	11.72	11.55	35,112	6,146
Mar	11.40	+0.14	11.41	11.28	16,693	981
May	11.35	+0.12	11.35	11.23	2,600	35
Jul	11.33	+0.12	11.35	11.21	1,304	13
Oct	11.32	+0.13	11.32	11.31	479	30
Total					108,962	21,721

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	80.12	-2.00	81.90	80.12	1,021	86
Oct	74.75	-1.32	75.80	74.25	27,487	5,965
Dec	73.50	-0.97	74.10	72.85	4,669	1,211
Mar	74.45	-1.03	75.05	73.90	16,827	3,428
May	74.75	-1.15	75.35	74.60	1,770	461
Jul	75.25	-1.24	76.00	76.00	673	135
Total					64,662	11,311

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	94.95	-3.60	98.00	94.25	487	146
Jul	96.70	-3.60	99.20	95.10	13,926	2,138
Sep	98.70	-4.05	101.50	97.75	2,507	349
Nov	100.30	-3.45	102.00	99.75	1,162	37
Jan	102.00	-3.35	104.50	101.00	2,221	124
Mar	104.00	-3.35	106.40	104.00	883	35
Total					18,667	2,829

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 10	May 6	month ago	year ago
1867.1	1878.9	1808.2	1657.4

■ CRB Futures (Base: 4/9/56=100)

May 6	May 5	month ago	year ago
226.61	224.11	223.78	208.59

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	68.300	+0.475	68.725	67.525	27,918	8,683
Aug	67.850	+0.750	67.900	66.875	16,748	4,484
Oct	70.375	+0.600	70.500	69.525	12,062	2,340
Dec	71.275	+0.500	71.300	70.400	8,054	1,084
Feb	71.550	+0.500	71.575	70.800	3,192	295
Apr	72.625	+0.325	72.650	72.075	1,662	92
Total					70,674	17,694

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	49.350	+0.875	49.700	48.675	14,743	4,787
Jul	50.250	+0.850	50.325	49.350	6,179	2,284
Aug	48.525	+0.900	48.625	47.625	3,680	969
Oct	44.350	+0.675	44.650	43.800	2,651	353
Dec	45.125	+0.875	45.150	44.150	2,552	235
Feb	44.900	+0.900	45.050	43.950	528	82
Total					30,722	8,718

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	46.450	+0.700	47.100	44.500	308	174
Jul	46.100	+0.850	46.500	44.600	5,773	2,170
Aug	43.925	+0.575	44.550	42.850	1,609	423
Feb	50.700	+0.400	50.750	48.750	275	118
Mar	50.100	+0.800	50.100	49.800	23	5
May	51.450	+0.450	51.450	51.000	12	3
Total					8,002	2,898

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1300	52	85	22	35
1325	38	71	33	44
1350	27	58	47	56
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2000	101	121	23	48
2050	69	92	41	69
2100	44	69	66	95
■ COFFEE LCE	Jul	Sep	Jul	Sep
1500	317	289	4	20
1550	270	248	7	29
1600	226	211	13	42
■ COCOA LCE	Jul	Sep	Jul	Sep
875	64	92	6	18
900	46	75	13	26
925	30	60	22	36
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1550	72	86	4	32
1600	27	54	14	52
1650	6	34	-	-

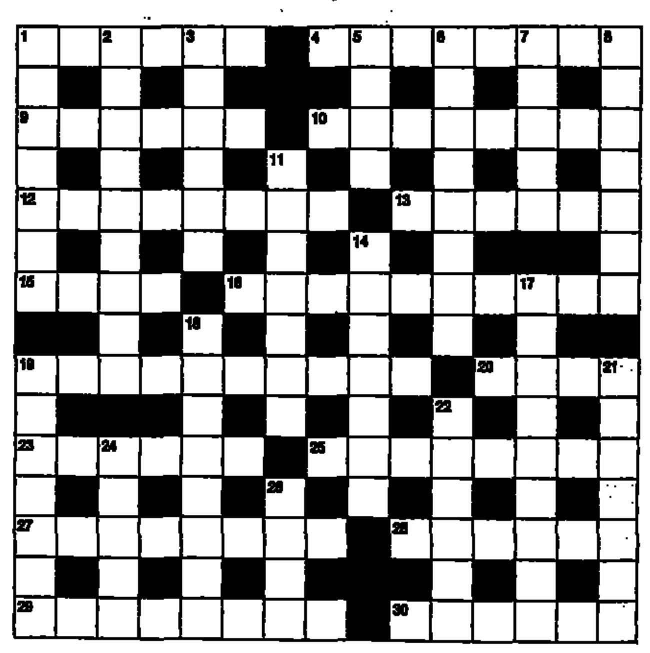
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)		+or-
Dubai	$14.64-4.78y	+0.14
Brent Blend (dated)	$16.32-6.34	+0.04
Brent Blend (Jun)	$16.20-6.22	+0.04
W.T.I. (1pm est)	$17.68-7.70y	+0.04
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$179-181	+2
Gas Oil	$154-155	
Heavy Fuel Oil	$79-82	+1.5
Naphtha	$154-156	+1
Jet Fuel	$168-170	+2.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$381.25	+5.95
Silver (per troy oz)♣	541.50c	+21.00
Platinum (per troy oz.)	$397.15	+7.65
Palladium (per troy oz.)	$137.50	+1.5
Copper (US prod.)	100.00c	+3.0
Lead (US prod.)	36.13c	+1.13
Tin (Kuala Lumpur)	14.21r	-0.04
Tin (New York)	252.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	127.51p	-0.20*
Sheep (live weight)†♠	152.70p	+2.08*
Pigs (live weight)	79.14p	+1.50*
Lon. day sugar (raw)	$272.30	-8.40
Lon. day sugar (wte)	$338.00	-1.00
Tate & Lyle export	£293.00	-7.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$138.50	
Wheat (US Dark North)	£180.0x	-0.5
Rubber (Jun)♥	71.50p	
Rubber (Jul)♥	71.75p	
Rubber(KL RSS No1 Jun)	259.00m	+0.50
Coconut Oil (Phil)§	$570.0z	
Palm Oil (Malay.)§	$487.5y	+7.5
Copra (Phil)§	$371.0	
Soyabeans (US)	£193.0y	+1.0
Cotton Outlook A Index	85.55c	-0.50
Wooltops (64s Super)	402p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jun/Jul. y Jun. w May. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,449 Set by CINEPHILE



Solutions to clues marked * are initially equivalent to pacifists

ACROSS

*1 A force used on another's name and address (4,2)
*4 Instead of love in Asian capital I have a South American country (8)
9 Fierce wild South American port (6)
10 Fowler's work is sure to fail (4,4)
12 Wobbly? Take about a second to acclimatise (8)
*13, 27 On Monday steer car and stay outside: there's poison gas (6,8)
15 Ineffectual individual gets intravenous feed (4)
16 Revulsion causing breach with Nero (10)
19 Interior model in coin, so the gong says (6,4)
20 It takes hours in the pictures (4)
*23 It's colourful, as Lithuanian is to Estonian etc (6)
25 It could be a monster going into operation (2,6)
27 See 13
28 Some grammar in action in the boat yard (6)
29 The last place left with dispatch (5,3)
*30 Hundreds were posh (6)

DOWN

*1, 5 Transferred to next page, as bride at threshold (7,4)
2 Niche I take on when times are bad (9)
3 Not skating to post (6)
5 See 1 down
6 Love would briefly vex the devil (3,5)
7 Description on jacket to weaken impression of book? (5)
8 Request an establishment obliquely (7)
11 Will need to take in head (7)
14 Tell fish to swallow male person (7)
17 Natural in relation to *logs*, not applicable to the ancient spring of inspiration (9)
18 Engineers with electric wires produce knee-jerks etc (8)
19 Falsely claimed: it could be a fraction (7)
*21 Visitors to military unit (7)
22 Ancient geographer turned to bars (6)
24 High peak in African bight (5)
26 River of paradise? (4)

Solution to Saturday's prize puzzle on Saturday May 21.
Solution to yesterday's prize puzzle on Monday May 23.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Concerns over US rates depress share prices

By Terry Byland, UK Stock Market Editor

The UK stock market staged a successful rally towards the close of a depressed session yesterday which was dominated by weakness in British government bonds and also in sterling as political tensions increased. Markets kept a close eye on the US dollar, worried that any renewed setback might prompt the US Federal Reserve to tighten credit policy more harshly than previously in the present cycle. Yesterday's money market action by the Federal Reserve came after the London close.

The disclosure that domestic consumer credit had jumped by £516m in March, far above market expectations, gave a further blow to any lingering hopes for a cut in base rates but brought little relief to either bonds or sterling.

The FT-SE 100 Index was 25.3 down at the day's low when Wall Street had opened sharply off and global bond markets were drifting easier. But London rallied as the loss on the Dow Average was cut to 9.5 in early trading. At its final reading, the FT-SE 100 showed a net decline of 8.2 at 3,097.8.

The late recovery in the blue chip leaders was fuelled by the expiry of two over-the-counter option contracts believed to have been operated by leading houses. These houses were thought to have been operating heavily in the Footsie future towards the close of the trading session as the share option contracts expired.

Trading volume in UK equities was not heavy yesterday but the concern over US interest rates overshadowed all other considerations. Markets across Europe were concerned that the Federal Reserve might take action ahead of this week's refunding of US government securities.

UK equities crumbled in early trading behind a fall in stock index futures and also in gilt-edged securities. There were suggestions from political sources that Mr John Major's Conservative government, hard hit in the opinion polls following last week's UK local elections, was under pressure to hold a national referendum on policies towards the Economic Union.

Unimpressive trading volume indicated that share losses reflected cautious marking down operations by marketmakers rather than any undue selling pressure. The loss of the Footsie 3,100 mark yet again was unhelpful and the consumer credit data underlined the market's resignation to the fading of base rate hopes – as well as raising fears that the next move in domestic interest rates might be upwards.

However, the day's Seaq trading volume total of 480.6m shares was nearly 27 per cent down from Friday's figure, which was worth £1.24bn in retail worth, at the lower end of recent daily averages.

The picture among the second-line stocks was much the same as in the Footsie-listed issues. The FT-SE Mid 250 Index failed to share in the late rally and closed with a fall of 28.9 points at 3,742.1.

The setback in the UK equity market was less than those recorded by other leading European markets, although UK gilts were significantly weaker than other bond markets because of the political factors in London.

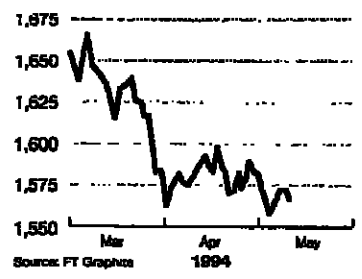
Weakness in gilts has continued to undermine UK equities for the past two months, and there was little sign yesterday that share prices were yet ready to disengage from the gilts market and to respond more confidently to the growing indications of recovery in the UK economy.

Account Dealing Dates

*First Dealings: Apr 25	May 16	Jun 6
Option Declarations: May 12	Jun 2	Jun 16
Last Dealings: May 13	Jun 3	Jun 17
Account Day: May 23	Jun 13	Jun 27

*New time dealings may take place from two business days earlier.

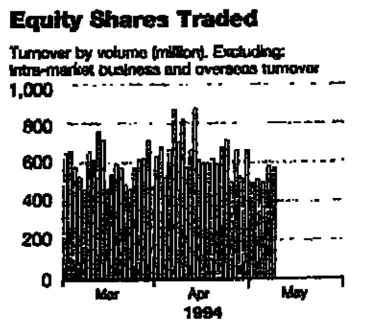
FT-SE-A All-Share index



Source: FT Graphics

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3097.8	-8.2	FT Ordinary index	2477.2	-3.8
FT-SE Mid 250	3742.1	-28.9	FT-SE-A Non Fins p/e	20.36	(20.43)
FT-SE-A 350	1573.8	-6.0	FT-SE 100 Fut Jun	3101.0	-2.0
FT-SE-A All-Share	1566.43	-6.02	10 yr Gilt yield	8.40	(8.36)
FT-SE-A All-Share yield	3.71	(3.69)	Long gilt/equity yld ratio:	2.31	(2.30)

Best performing sectors

1. Spirits, Wines & Cider .... +1.9
2. Oil Exploration & Prod .... +1.5
3. Oil, Integrated .... +1.2
4. Mineral Extraction .... +1.0
5. Gas Distribution .... +0.5

Worst performing sectors

1. Electricity .... -1.9
2. Tobacco .... -1.7
3. Building & Const .... -1.5
4. Property .... -1.3
5. Media .... -1.2

Utilities under pressure

The latest slide in gilt-edged stocks, plus renewed worries about the forthcoming regulatory reviews, brought renewed pain to the electricity and water sectors. Last month the utilities provided 14 of the 20 worst performers in the FT-SE Mid 250 Index and the seven worst performers in the FT-SE 100 Index.

Both sectors closed well above the day's lowest levels after a modest rally in gilts triggered bargain hunting.

In the "recs", Eastern finished 7¼ off at 577½p and Southern 17½ weaker at 548½p. The generators were equally punished, with more US selling hitting PowerGen, finally 15 off at 455p.

RBOS hopes

Growing optimism in the market that Royal Bank of Scotland will be the next big FT-SE 100 constituent to deliver a 20 per cent-plus dividend increase saw the bank's shares produce the leading index's best individual performance. They settled a net 21 higher at 428p, a rise of 4.9 per cent, following relatively large turnover of 3.1m shares.

RBOS's interim results are expected tomorrow, with analysts looking for pre-tax profits at least double the £91m achieved last year. A big rise in earnings from Direct Line, the bank's insurance by telephone business and one of the jewels in the bank's crown, is expected.

But it will be the size of the dividend increase that will determine the market's response to the results. Most bank sector analysts are looking for an interim rise of at least 20 per cent and there will be some disappointment if the increase does not match the 25 per cent increase in the payout total last year.

C&W alert

The revival of rumours that Cable and Wireless could be considering a flotation for its Mercury telecoms subsidiary triggered a strong rise in C&W shares, largely at the expense of its two UK telecoms rivals, BT and Vodafone.

Dealers said the Mercury flotation story was one that cropped up regularly and had been circulating in the market late last week. They also pointed out that C&W shares had underperformed the market by almost 11 per cent since the turn of the year, as part of a general underperformance by UK telecoms. BT shares have underperformed by some 15 per cent since the year-end.

Adding to C&W's woes have been the marked weakness of the Hong Kong dollar, which is linked to the US currency, and the steep decline in the Hong Kong stock market.

"C&W were due a bounce and the press reports have given the market an excuse to do it," said one trader. The stock closed 8 up at 444p. BT fell 7¼ to 364½p and the partly-paid 8½ to 245½p. Vodafone, unsettled by press comment, slipped 7½ to 537½p.

Drinks active

With the results season about to get under way, the drinks sector attracted plenty of speculative buying but little overall volume. NatWest Securities attempted to pre-empt proceedings, reiterating its positive stance on Allied-Lyons, ahead 11 at 583p, and Scottish & Newcastle, up 9 at 530p.

Another NatWest favourite, Grand Metropolitan, was once again the subject of speculation over the fate of its Inntrepreneur pub subsidiary, run as a joint venture with Courage. Suggestions that GrandMet will use its results on Thursday to announce that Inntrepreneur may be broken up, or even floated, were not believed by all analysts. GrandMet jumped 16 to 483p.

Guinness, subject to persistent activity on inter-dealer broking screens, was in focus with a big order in the options market. The stock edged up 2½ to 484p.

Market gossip circulated around Wembley, the indebted stadium group, with talk of a predator waiting in the wings. Speculation that the company would be willing to sell its Wembley stadium showpiece was denied by the company. The shares added 1½ to 12p. Rank Organisation was one name linked to Wembley. The shares slid 9 to 408p with Hoare Govett said to be making negative noises.

There was disappointment over the share reorganisation at **Associated British Foods**, where some in the market had hoped for either a share buy back or a big acquisition to put the company's large cash pile to work. Instead, the company is offering a special dividend of 10p to shareholders. The shares retreated 15 to 584p.

Pharmaceuticals group Glaxo was easier in early trade on speculation in the Sunday press that it was poised to take a stake in or buy McKesson, a US drugs wholesaler. The shares rallied later to close a penny lighter at 562p. Both companies refused to comment on the rumours which have been fuelled by the latest deal between SmithKline Beecham and DPS of the US. SmithKline, which filed a suit against a US group, saying it would violate trademark laws with a launch planned for next week of a form of Tagamet, the ulcer drug, added 3 at 397p.

Healthcare company Smith & Nephew held firm at 147½p after announcing a US joint venture deal.

British Gas rallied to end the session 1½ firmer at 285p after the joint report on gas pricing prepared by the Department of Trade and Industry was published yesterday.

Oil shares made strong progress buoyed by recent gains in crude oil prices and ahead of expected good results from Royal Dutch/Shell tomorrow. BP touched a record 412p before closing 6½ up at 409½p. Shell added 7 at 739p and Enterprise 13 to 444p.

Courtaulds fell 16 to 533p as one leading securities house issued a sell note.

A broker's recommendation boosted **Avon Rubber** ahead of tomorrow's interim figures. The shares put on 8 to 637p, with Panmure Gordon urging investors to buy the stock.

Bus company **Go-Ahead** made an impressive market debut. The shares were issued at 120p, opened at 126p and closed at 125p.

Weekend press reports suggesting Channel tunnel operator **Eurotunnel** is planning to build another tunnel through which travellers will be able to drive cars hit the shares and they tumbled 28 to 422p.

Coats Viyella saw heavy turnover of 4.3m shares in the run up to an auction of around £11m of scrip dividend shares by BZW. The shares fell a penny to 228p.

USM-quoted **Phonelink**, the computing services company, fell 46 to 384p on profit taking.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Peter John, Joel Kibazo.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (31).
BREWERIES (1) Holt (J), BLDG MATLS & MCHTS (1) Johnston, DISTRIBUTORS (1) SEP.ELECTRNC & ELECT EQUP (3) Delta, Eurotherm, Pelon, ENGINEERING (4) Cohen (A), Linread, Ransomes, Do 8¼p Prf., ENG. VEHICLES (1) Avon Rubber, EXTRACTIVE INDS (1) Durban Deep, FOOD MANUF (2) Kalzed, Pascoe's, INSURANCE (1) LEISURE & HOTELS (1) Chrysalis, OIL EXPLORATION & PROD (1) OIL, INTEGRATED (2) OTHER FINANCIAL (1) Paramba, PRTNG, PAPER & PACKG (3) Kleartold, Tinsley Robor, Wyndeham, PROPERTY (1) Cardiff, RETAILERS, GENERAL (2) Signet, Do 6¾p Prf., SUPPORT SERVS (2) MMT Computing, Page (M), TEXTILES & APPAREL (1) Alexandra Workwear, SOUTH AFRICANS (2)
NEW LOWS (264).
GILTS (67) OTHER FIXED INTEREST (11) BANKS (6) BUILDING & CNSTRN (7) Avonside, Berkeley, Bryant, Countryside Props., Persimmon, Westbury, Wilson Bowden, BLDG MATLS & MCHTS (9) Anglian, Bardon, Caradon, Do 7¼p Prf., Hepworth, Norcros, RMC, Redland, Rugby, DISTRIBUTORS (1) Davenport Vernon, DIVERSIFIED INDLS (6) ELECTRICITY (14) ENGINEERING (3) Hall, Hunting 8¼pc. Prf., Vortex Energy, ENG. VEHICLES (1) Ingham, EXTRACTIVE INDS (1) Montague, FOOD MANUF (2) Canadian Pizza, Nestlé, HEALTH CARE (2) Intercare, Seton, HOUSEHOLD GOODS (2) Airsprung Furniture, Silentnight, INSURANCE (13) INVESTMENT TRUSTS (40) INVESTMENT COMPANIES (6) LEISURE & HOTELS (1) Forte, LIFE ASSURANCE (2) MEDIA (4) EMAP, Flextech, Harrington Kilbride, Mirror, MERCHANT BANKS (3) OIL EXPLORATION & PROD (2) Aminex, Coplex Resources, OTHER FINANCIAL (6) PHARMACEUTICALS (1) Proteus Intl., PROPERTY (14) RETAILERS, FOOD (4) Brake Bros., Dairy Farm, Shoprite, Tesco Cap. 9pc. Bd. 2005, RETAILERS, GENERAL (6) Alexon, Church, Courts, OS, Sothebys A, Wyevale Garden Centres, SUPPORT SERVS (3) Rentokil, Virtuality, TELECOMMUNICATIONS (3) British Telecom, GN Great Nordic, Security Services, TEXTILES & APPAREL (2) Bullers, Campari Intl., TRANSPORT (8) WATER (10) AMERICANS (5) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures rallied off the bottom towards the close to finish above the June Footsie 3,100 support level, after a session dominated by weakness in gilts and further political uncertainity, *writes Joel Kibazo.*

The first trade in the June contract on the FT-SE 100 index was struck at 3,095. Goldman Sachs executed an order for around 400 contracts shortly after the opening, and June fell back after its completion.

The release of higher than anticipated UK consumer credit figures led to a further retreat as lingering hopes of a reduction in interest rates faded. June then traded in a tight range of 3,074 and 3,080 for the next few hours before renewed selling followed the opening on Wall Street.

However, firmness in US bonds, together with reports of a big trade in "over-the-counter" options brought a rally just before the official close and the June contract finished at 3,101, just ahead of its fair value premium to cash of about 3 points. Volume amounted to 12,394 lots.

Traded options saw business of 35,436 contracts in total, of which 10,808 were dealt in the FT-SE 100 option and 3,585 in the Euro FT-SE. A big trade in the Guinness calls and puts made it the day's most active stock option with a total of 5,312 lots. Argyll Group and BP were also busy.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3095.0	3101.0	-2.0	3103.0	3074.0	12394	51987
Sep	-	3118.0	-2.0	-	-	0	920
Dec	-	3130.0	-2.0	-	-	0	201

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3750.0	3735.0	-30.0	3750.0	3750.0	10	3788

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	3757.5	-	-	-	-	891

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3099) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,000	56½	-¼
Abbey National†	3,000	413	-3
Albert Fisher	6,600	67	
Allied-Lyons†	2,600	583	+11
Anglian Water	412	446	-6
Argos	799	364	-3
Argyll Group†	534	248	-½
Arjo Wiggins†	631	302	-1
Assoc. Brit. Foods†	825	584	-15

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	550	-	-	57	-	-	30
(*584)	600	-	-	32½	-	-	57
Argyll	240	17	22	26½	14	18	22½
(*248)	260	7½	12	17½	27	30	34½
ASDA	50	8½	10	11	2	3½	4½
(*55)	60	3	5	6½	7	10½	10½

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Hanson	260	5½	15	19½	1½	10½	15½
(*264)	280	1	6	11	17½	23½	27½
Lasmo	134	16½	25	27	1	8	8½
(*148)	154	3	13½	15½	7½	14½	18
Lucas Inds	200	5	17	23	2	11½	18
(*203)	220	1	8	13½	18	24	30½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	68	4
Other Fixed Interest	0	14	1
Mineral Extraction	95	38	68
General Manufacturers	69	226	373
Consumer Goods	35	47	110
Services	55	139	322
Utilities	5	34	7
Financials	45	163	169
Investment Trusts	5	222	245
Others	30	68	32
Totals	340	1,017	1331

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 3	Last Declarations	Aug 11
Last Dealings	May 20	For settlement	Aug 22

Calls: Bolton, Euro Disney, MAID, Ransomes, Signet, Yorkshire Food. Puts: Euro Disney, JF Pacific Wt.

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£22⅝	–⅛	£25¼	£21⅞	6,021	5.0	♦
ANZ A$	222¼	–¾	278¼	214¼	2,883	4.1	17.5
Abbey National	433xd	–3	523	411	6,418	4.2	13.9
Allied Irish I£	244xd	–4	314	241	1,807	5.2	9.4
Anglo Irish I£	64	—	70	58	165.6	0.0	9.9
Asahi Y	740¼	+16½	789¼	638	17,191	0.7	–
Banco Bil Viz Pta	[illegible]	[illegible]	[illegible]	£14⅝	3,390	5.3	7.0
Banco Sant Pta	£31⅛	—	£34⅝	£29[illegible]	3,513	4.3	♦
Bk Ireland I£	283	–2	319	246	1,239	4.7	10.4
Bank Scotland	185	+1	247	180	2,185	3.5	15.0
9¼pc Pf	118xd	–½	141½	118	118.0	10.0	–
9¾pc Pf	122xd	–½	148½	122	122.0	10.0	–
Barclays	523xd	+4	640	487	8,493	3.6	21.7
Dai Ichi Kan Y	£12[illegible]	[illegible]	£[illegible]	£10[illegible]	39,335	0.4	69.7
Deutsche DM	£316[illegible]	[illegible]	£344¼	£297⅝	15,095	1.9	–
Espirito Santo	£19[illegible]	[illegible]	£26¼	£18¼	216.9	4.1	4.7
First Nat Fin	79	+1	99	60	129.2	2.4	–
8.3pc Cv Pf	83	—	90	77	5.58	9.5	–
7pc Cv Pf	149	—	171	123	70.7	5.9	–
Fuji Bank Y	1481¼	–5¼	1649¼	1152½	43,179	0.4	–
HSBC HK	707xd	–13	1133	687	12,414	4.2	♦
HSBC (75p Shs)	696xd	–5	1113	688	6,879	4.2	♦
Lloyds	565	–5	660	532	7,584	4.7	12.3
Mitsubishi Y	£17[illegible]	–¼	£18[illegible]	£15¼	58,808	0.3	–
Mits Tst & Bk Y	1004	–10	1034¼	887½	13,073	0.5	16.1
Mitsui Tst & Bk Y	714¼	–10¾	811¼	514	8,584	0.7	24.3
Nat Aust A$	557¾	+4½	620¼	537¼	7,440	4.3	13.6
NatWest	480xd	+5	622	434	7,489	5.1	10.3

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	109½	-2	118½	88	-	108.9	-.5
Warrants	□	78	-2	88	47	-	-	-
Personal Assets	†	£88½xd	—	594	595¾	2.7	6483.5	-5.1
Pilot Inv	□	144	—	153	125½	0.4	135.4	-6.0
Warrants	□	60	—	68	44	-	-	-
C	□	108	—	117	102	-	108.6	0.6
Piper Euro Smlr	□	95	—	95	91	-	95.3	0.3
Warrants	□	34	—	35	33	-	-	-
Primedone		275	-1	283	267	2.0	314.4	12.5
Ptarmigan Intl	□	233	-2	*276	232	0.4	253.3	8.0
Warrants		85	—	140	85	-	-	-
RIT Capital	□	176	—	189	170	0.8	216.5	18.7
2½pc Cv Ln 2000		£174	-½	£186½	£170½	1.4	-	-
Radiotrust	□	86	—	88	70	-	76.8	-10.8
Rights & Iss Inc		155	—	164	153	7.8	-	-
Cap		480	—	535	440	2.1	543.6	11.7
Riv & Merc Am Inc	N	111xd	-1	121	111	8.8	-	-
Cap	□	34	—	38	31½	-	44.1	22.9
Warrants		14	—	17	13	-	-	-
Riv & Mer Ext	N□	121xd	-3	147	121	8.1	117.2	-3.1
Warrants		29	-2	49	29	-	-	-
Zero Div Pf		112	-½	118½	112	-	-	-
Riv & Mer Geared		99xd	-1	118	93	9.5	-	-
Prfd Cap 1999		28	—	35	28	-	37.1	29.9
Riv & Merc Smlr	N□	148	—	170	142	3.4	147.4	0.9
Warrants		63	—	77	47	-	-	-
Riv & Merc Tst Inc	N□	118	-1	127	114	9.7	-	-
Cap	□	130	—	160	122	-	202.0	35.6

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (‡) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	28.54	28.54	30.36	-0.05	–
Pacific Basin	6	40.72	40.72	43.31	+0.08	0.6
[illegible]	6	31.04	31.04	33.02	-0.16	–
Global Bond	4	[illegible]	[illegible]	[illegible]	[illegible]	6.1
Penny Share	6	29.51	30.51	32.45	-0.25	1.5
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-606 0462						
Challenger	[illegible]	91.67	91.67	[illegible]	-1.26	0.00
Short Dtd Gilt	[illegible]	107.0	107.6	[illegible]	[illegible]	0.00
U.S. Govmnt Bond	[illegible]	[illegible]	0.7243	[illegible]	[illegible]	2.22
Gilt Income	4	49.62	49.62	51.63	[illegible]	7.25
Gilt Growth	4	67.45	67.45	70.20	-1.08	0.00
City Returns	0	52.30	52.30	52.40	[illegible]	4.50
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 081-298 4000						
Stockmarket Fd	5	76.87	76.93	83.55	-0.38	1.74

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt May 4	779.7	796.3	–	0.06
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1000 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	59.57	60.04	–	3.1
Income Plus	49.86	50.75	–	6.2
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	72.43	74.32	-2.48	4.14
Income	56.00	59.59	-2.94	6.63
CIS Unit Trust Managers Ltd				
Co-op Bank Global Ex Apr 15	[illegible]	[illegible]	–	3.18

For James Capel see HSBC Asset Mngt Europe Ltd

Cent. Bd. of Fin. of Church of England‡

2 Fore Street, London EC2Y 5AD 071-588 1815

[illegible]

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey National Life Plc				
201 St Vincent Street, Glasgow 041 305 6000				
Managed	113.0	119.0	-0.7	–
UK Equity	113.0	119.0	-0.7	–
International	119.1	125.4	-0.6	–
Deposit	102.7	108.1	+0.1	–
Pension Managed	114.3	120.4	+0.7	–
Pension UK Equity	113.2	119.2	-0.8	–
Pension International	123.8	130.3	-0.5	–
Pension Deposit	102.8	108.3	+0.1	–
Acuma Life Assurance Ltd				
The Eikenly, Egham, Surrey TW2 0AT 0784 475333				
Fixed Interest	185.03	194.76	-1.1	–
Index Linked Stks	186.91	196.74	-1.14	–
UK Equity/UK Eq Inc	316.11	332.74	-1.52	–
Soil Cos/UK Eq Gwth	241.44	254.14	-1.02	–
Nth American	160.94	169.77	+0.25	–
Far Eastern	459.26	492.07	+0.55	–
European	216.58	227.97	-1.34	–
Managed	256.72	270.23	-1.03	–
World Growth	217.05	228.47	-0.17	–
Money	162.83	171.39	+0.05	–
Pen Fixed Interest	234.55	246.89	-1.34	–
Pen Index Lnkd Stks	200.73	211.29	-1.30	–
Pen UK Eq/UK Eq Inc	487.45	513.10	-2.58	–
Pen Soil Cos/UK Eq Gwth	323.17	340.17	-1.70	–
Pen Nth American	158.04	166.35	+0.28	–
Pen Far Eastern	737.06	769.55	+0.39	–
Pen European	218.12	229.59	-1.88	–
Pen Managed	348.56	366.90	-1.85	–
Pen World Growth	237.86	250.51	-0.26	–
Pen Money	203.93	214.66	+0.09	–
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9RS 071-538 8800				
Life Series 2				
Aggressive Pttfo Fund	164.0	173.4	-1.0	–
Balanced Pttfo Fund	449.5	475.7	-2.4	–
Cautious Pttfo Fund	162.2	171.7	-0.2	–
Ethic Fund	154.2	163.2	-0.9	–
European Fund	157.1	166.3	+0.8	–
Far East Fund	144.3	152.8	+0.3	–
Fixed Interest Fund	314.4	332.8	–	–
International Fund	372.0	394.6	-0.9	–
Money Fund	246.7	261.1	–	–
N. American Fund	220.4	233.3	-1.2	–
Property Fund	476.4	504.2	+0.8	–
UK Equity Fund	564.8	597.7	-5.5	–
Swiss Select Inv.	85.80	91.00	–	–
Swiss Global Fund	231.7	245.1	–	–
[illegible]	108.1	114.9	-0.6	–

[illegible]

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Scottish Equitable plc
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	252.6	266.1	—	—
UK Equity	234.6	247.0	-0.6	—
International	267.3	281.3	+0.6	—
American	245.1	258.0	-1.9	—
European	262.0	275.8	+2.9	—
Japan	255.2	268.7	+0.1	—
Pacific	375.1	394.9	-0.9	—
Technology	346.6	365.9	-2.3	—
Fixed Interest	164.5	173.2	-1.6	—
Indexed Linked	160.0	164.1	-1.1	—
Foreign Bond/Currency	227.6	239.6	+0.4	—
Cash	178.307	187.692	+0.051	—
Ethical	130.6	137.7	-0.3	—
Pens Mixed	733.7	772.3	-3.1	—
Pens UK Equity	804.5	846.8	-0.6	—
Pens International	626.7	[illegible]	-1.9	—
Pens Nth American	246.2	259.1	-2.6	—
Pens European	309.3	325.6	+3.2	—
Pens Japan	306.6	323.1	-1.5	—
Pens Pacific	472.0	496.9	-1.1	—
Pens UK Fixed Interest	349.5	367.9	-3.8	—
Pens Index Linked	194.4	204.6	-1.3	—
Pens Cash	286.086	301.145	+0.103	—
Pens Property	245.72	258.65	—	—
Pens Ethical	169.8	178.7	-0.6	—
Edinburgh Inv	387.8	408.2	—	6
Baillie Gifford Japan	265.5	280.5	-1.2	—
Pens Global	108.5	114.4	-0.4	—
Pens Emerg Mkts	125.2	131.7	—	—
Pens Overseas Bond	85.5	89.8	—	—
Pens UK Smaller Cos	99.6	104.8	-0.3	—
Pens Latin America	77.0	81.0	-1.4	—

Sun Alliance Group - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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Lombard Odier - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Markets ponder dollar

Foreign exchanges spent yesterday in fruitless anticipation of a tightening of US monetary policy that never arrived, *writes Philip Gawith.*

The weakness of the dollar last week, combined with stronger than expected April jobs growth, has convinced the market that it is a question of when, rather than if, the US Federal Reserve raises rates again.

Many had expected a move yesterday, ahead of the $29bn quarterly Treasury refunding that takes place today and tomorrow. A weak dollar and unstable US assets markets were seen as obstacles to foreign participation in the refunding.

The dollar finished nearly a pfennig lower in London at DM1.6579 from DM1.6661. Against the yen, it closed at Y102.875 from Y102.780.

Elsewhere sterling failed to gain any support from strong April credit figures, and slid lower against the background of political uncertainty. It closed in London at DM2.4801 from DM2.4859.

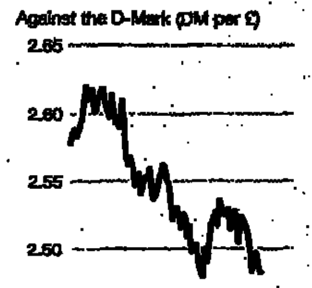
In Europe, the D-Mark finished mostly weaker. It closed in London at FFr3.427 against the French franc from FFr3.429 on Friday. Against the Italian lira, it finished at L958.9 from L961.

■ The release of Japan's March capital account figures shed considerable light on recent dollar weakness. The $21.92bn capital surplus was the highest on record. The Ministry of Finance said it was the result of Japanese companies selling US and European bonds ahead of the March year end, as well as foreign buying of Japanese stocks which hit a record high in March.

Combined with a large current account surplus, this provides a key explanation for recent yen strength - although figures for March show a 16 per cent fall from a year earlier in the current account surplus. If the capital account figure proves to be a one-off phenomenon, as some analysts are suggesting, and the current account surplus falls in the second half of the year, the combination could prompt the revival of the dollar against the yen.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ **Pound in New York**

May 9	—Latest—	— Prev. close —
£ spot	1.4965	1.4935
1 mth	1.4958	1.4924
3 mth	1.4950	1.4916
1 yr	1.4945	1.4912

Analysts said that the failure of the Fed to act yesterday merely meant that the market would continue each day to await a cut, expected at the latest after next Tuesday's meeting of the Federal Open Market Committee.

What the market is hoping for from the Fed is that it will act sufficiently boldly so as to be able to declare that rates have reached the "neutral" level. This should stabilise asset markets as it will allow investors to re-enter equity and bond markets without the fear of another policy tightening hanging over them.

■ Some clarity will emerge today on what sort of succour the dollar can expect from the Bundesbank. Decisive confirmation that German rates are on a downward path is seen as one way of supporting the dollar.

The Bundesbank will announce the terms of its weekly repo operations. Ms Alison Cottrell, international economist at Midland Global Markets, is expecting a 4-6 basis point cut in the repo rate from its current level of 5.41 per cent. Call money yesterday was trading at 5.35/50 per cent, which suggests a fairly small cut is likely.

There has also been speculation that the Bundesbank might lower its discount rate when the council meets on Wednesday. Ms Cottrell said that, on balance, she did not did expect a move. The spread currently between the discount and repo rate is standard, and will not complicate money management.

■ Sterling started the day weaker with the exchange rate index opening at 79.2 compared to Friday's close of 79.5. Analysts said sterling's opening level of DM2.4750 was the lowest this year.

Analysts attributed the pound's weak performance to a delayed reaction to the Conservative's poor showing in last week's local elections, aggravated by negative weekend press coverage.

Mr Mark Geddes, treasury ecnomist at Midland Global Markets, commented: "On the basis of recent economic data, which has almost uniformly been stronger than expected, the pound should be significantly stronger. In spite of this, the extent of Tory party losses do now, however, tend to rule out a significant rally in sterling over the coming month as political considerations continue to dominate."

In the money markets, the Bank of England provided £360m of assistance after forecasting a shortage of £350m. The overnight rate traded in the 3½-5 1/16 range.

Sentiment soured in the sterling futures market, with contracts losing ground across the board. In light trade, the June future closed at 94.56 from 94.59 on Saturday. The December contract fell ten basis points to close at 93.66.

Mr Brian Durrant, head of research at brokers GNI, commented: "Although the market is in principle oversold, there is nothing for buyers to bite on." Buoyant consumer credit figures failed to help sterling, or interest-rate markets. The Central Statistical Office (CSO) reported March net consumer credit up £516m, ahead of market forecasts of about £350m.

■ **OTHER CURRENCIES**

May 9	£	$
Hungary	153.249 - 153.375	102.460 - 102.510
Iran	2612.00 - 2618.00	1748.00 - 1750.00
Kuwait	0.4447 - 0.4456	0.2973 - 0.2978
Poland	33339.1 - 33410.1	22290.0 - 22330.8
Russia	2770.59 - 2782.58	1852.08 - 1860.00
U.A.E.	5.4921 - 5.5034	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4408	-0.0792	339 - 472	17.5181	17.4020	17.4368	0.3	17.4312	0.2	-	-	113.8
Belgium	(BFr)	51.0418	-0.1458	258 - 578	51.1111	50.9604	51.0368	0.1	51.0868	-0.2	50.8688	0.3	115.2
Denmark	(DKr)	9.7050	-0.0283	996 - 103	9.7165	9.6870	9.7127	-0.9	9.7208	-0.7	9.7382	-0.3	115.0
Finland	(FM)	8.0605	-0.0065	517 - 693	8.0730	8.0340	-	-	-	-	-	-	82.0
France	(FFr)	8.4996	-0.0231	959 - 032	8.5103	8.4820	8.5054	-0.8	8.511	-0.5	8.476	0.3	107.7
Germany	(DM)	2.4801	-0.0058	791 - 810	2.4928	2.4740	2.4808	-0.3	-	-	2.458	0.9	123.6
Greece	(Dr)	365.238	-0.081	801 - 671	366.414	364.583	-	-	-	-	-	-	-
Ireland	(I£)	1.0241	-0.0023	233 - 248	1.0267	1.0221	1.0248	-0.8	1.026	-0.7	1.028	-0.4	103.4
Italy	(L)	2377.70	-10.02	644 - 896	2382.87	2372.35	2384.15	-3.3	2383.85	-2.7	2425.25	-2.0	78.5
Luxembourg	(LFr)	51.0418	-0.1458	258 - 578	51.1111	50.9604	51.0368	0.1	51.0868	-0.2	50.8688	0.3	115.2
Netherlands	(Fl)	2.7837	-0.008	827 - 847	2.7899	2.7787	2.7833	0.2	2.783	0.1	2.7601	0.8	118.8
Norway	(NKr)	10.7605	-0.025	572 - 638	10.8054	10.7357	10.7549	0.6	10.7674	-0.3	10.7595	0.0	95.1
Portugal	(Es)	256.583	-0.639	316 - 850	258.277	254.841	256.558	-4.6	258.603	-4.6	-	-	-
Spain	(Pta)	203.921	-1.06	849 - 992	204.404	203.492	204.466	-3.2	205.361	-2.9	208.196	-2.1	85.0
Sweden	(SKr)	11.5016	+0.0017	940 - 091	11.5010	11.4356	11.5231	-2.2	11.5536	-1.8	11.6426	-1.2	77.2
Switzerland	(SFr)	2.1164	+0.0032	154 - 173	2.1189	2.1074	2.1145	1.0	2.1099	1.2	2.0784	1.8	117.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.4
Ecu	-	1.2869	-0.004	864 - 874	1.2891	1.2852	1.2876	-0.7	1.2882	-0.4	1.2841	0.2	-
SDR†	-	0.945352	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4931	+0.0043	927 - 934	1.4945	1.4860	-	-	-	-	-	-	-
Brazil	(Cr)	2147.46	+40.27	708 - 783	2150.00	2103.00	-	-	-	-	-	-	-
Canada	(C$)	2.0650	+0.0026	642 - 657	2.0661	2.0535	2.0671	-1.2	2.072	-1.3	2.0947	-1.4	86.9
Mexico	(New Peso)	4.9815	+0.043	732 - 898	4.9900	4.9651	-	-	-	-	-	-	-
USA	($)	1.4960	+0.004	957 - 962	1.4975	1.4888	1.495	0.8	1.4944	0.4	1.4939	0.1	65.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0762	-0.0101	751 - 772	2.0917	2.0748	2.0747	0.9	2.0723	0.7	2.0704	0.3	-
Hong Kong	(HK$)	11.5600	+0.0318	573 - 626	11.5712	11.5050	11.547	1.3	11.5415	0.6	11.4925	0.6	-
India	(Rs)	46.9242	+0.1201	089 - 395	46.9850	46.7070	-	-	-	-	-	-	-
Japan	(Y)	153.896	+0.548	833 - 959	154.010	152.490	153.516	3.0	152.786	2.9	149.111	3.1	187.7
Malaysia	(M$)	3.9067	-0.0352	045 - 088	3.9349	3.8900	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5821	-0.0044	801 - 841	2.5859	2.5758	2.585	-1.3	2.5893	-1.1	2.5979	-0.6	-
Philippines	(Peso)	40.8899	+0.1074	587 - 211	40.9225	40.3451	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6102	+0.0148	090 - 113	5.6158	5.5836	-	-	-	-	-	-	-
Singapore	(S$)	2.3184	-0.0032	176 - 191	2.3196	2.3085	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.3981	+0.0593	957 - 005	5.4149	5.3269	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1058	+0.1006	896 - 219	7.1228	6.9373	-	-	-	-	-	-	-
South Korea	(Won)	1207.68	+2.81	718 - 818	1208.63	1202.21	-	-	-	-	-	-	-
Taiwan	(T$)	39.8447	+0.247	305 - 589	39.8598	39.6000	-	-	-	-	-	-	-
Thailand	(Bt)	37.6980	+0.107	767 - 192	37.7240	37.5230	-	-	-	-	-	-	-

†SDR rate for May 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.6585	-0.084	560 - 610	11.6950	11.6425	11.667	-0.9	11.6642	-0.2	11.6588	0.0	103.0
Belgium	(BFr)	34.1200	-0.188	150 - 250	34.2440	34.0950	34.155	-1.2	34.19	-0.8	34.155	-0.1	104.5
Denmark	(DKr)	6.4875	-0.0368	850 - 900	6.5135	6.4798	6.4967	-1.7	6.505	-1.1	6.4965	-0.1	103.7
Finland	(FM)	5.3882	-0.0186	832 - 932	5.4004	5.3820	5.3922	-0.9	5.3992	-0.8	5.4094	-0.4	78.7
France	(FFr)	5.6817	-0.0306	802 - 832	5.7040	5.6727	5.6892	-1.6	5.6954	-1.0	5.6737	0.1	104.0
Germany	(D)	1.6579	-0.0082	575 - 582	1.6660	1.6555	1.6595	-1.1	1.6603	-0.6	1.6504	0.5	104.7
Greece	(Dr)	244.150	-0.7	900 - 400	245.800	244.200	247.9	-18.4	255.275	-18.2	284.15	-16.4	70.1
Ireland	(I£)	1.4609	+0.0072	600 - 617	1.4628	1.4538	1.4583	2.1	1.4545	1.8	1.4464	1.0	-
Italy	(L)	1589.43	-10.92	885 - 000	1597.55	1587.97	1594.78	-4.0	1601.93	-3.1	1623.43	-2.1	78.9
Luxembourg	(LFr)	34.1200	-0.188	150 - 250	34.2440	34.0950	34.155	-1.2	34.19	-0.8	34.165	-0.1	104.5
Netherlands	(Fl)	1.8609	-0.0102	605 - 612	1.8678	1.8592	1.8624	-0.9	1.8624	-0.3	1.8476	0.7	103.9
Norway	(NKr)	7.1931	-0.0368	921 - 941	7.2214	7.1826	7.1978	-0.8	7.1996	-0.4	7.1806	0.2	95.0
Portugal	(Es)	170.850	-0.88	700 - 000	171.400	170.700	172.085	-8.7	174.05	-7.5	178.05	-4.8	93.2
Spain	(Pta)	136.315	-1.085	290 - 340	137.050	136.150	136.785	-4.0	137.44	-3.3	139.365	-2.2	80.0
Sweden	(SKr)	7.6885	-0.0192	847 - 922	7.6927	7.6593	7.7075	-3.0	7.7315	-2.2	7.7935	-1.4	82.8
Switzerland	(SFr)	1.4147	-0.0017	143 - 151	1.4176	1.4119	1.4144	0.3	1.4119	0.8	1.3912	1.7	103.9
UK	(£)	1.4960	+0.004	957 - 962	1.4975	1.4888	1.495	0.8	1.4944	0.4	1.4939	0.1	88.0
Ecu	-	1.1625	+0.0067	622 - 627	1.1630	1.1570	1.161	1.5	1.16	0.9	1.1615	0.1	-
SDR†	-	1.41349	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	+0.0002	980 - 981	0.9981	0.9978	-	-	-	-	-	-	-
Brazil	(Cr)	1435.51	+23.18	550 - 552	1435.53	1435.50	-	-	-	-	-	-	-
Canada	(C$)	1.3804	-0.0019	801 - 806	1.3815	1.3778	1.3827	-2.0	1.3866	-1.8	1.4022	-1.6	83.2
Mexico	(New Peso)	3.3300	+0.02	250 - 350	3.3350	3.2500	3.331	-0.4	3.3326	-0.3	3.3402	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3878	-0.0105	873 - 883	1.3998	1.3873	1.389	-1.1	1.3937	-1.7	1.4043	-1.2	86.8
Hong Kong	(HK$)	7.7275	+0.0008	270 - 280	7.7280	7.7270	7.7305	-0.5	7.7365	-0.5	7.7812	-0.4	-
India	(Rs)	31.3675	-0.0025	625 - 725	31.3725	31.3625	31.4325	-2.5	31.5675	-2.6	-	-	-
Japan	(Y)	102.875	+0.095	850 - 900	103.000	102.300	102.67	2.4	102.22	2.5	99.73	3.1	148.7
Malaysia	(M$)	2.6115	-0.0305	105 - 125	2.6400	2.6105	2.6045	3.2	2.589	3.4	2.6515	-1.5	-
New Zealand	(NZ$)	1.7261	-0.0075	250 - 271	1.7322	1.7247	1.7274	-0.9	1.7319	-1.3	1.7538	-1.6	-
Philippines	(Peso)	27.2000	-	500 - 500	27.3500	27.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7502	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5498	-0.0062	495 - 500	1.5553	1.5480	1.5491	0.5	1.5486	0.3	1.5472	0.2	-
S Africa (Com.)	(R)	3.6085	+0.0302	075 - 095	3.6225	3.5715	3.625	-5.5	3.651	-4.7	3.744	-3.8	-
S Africa (Fin.)	(R)	4.7500	+0.055	400 - 600	4.7600	4.6500	4.784	-8.6	4.844	-7.9	-	-	-
South Korea	(Won)	807.300	-0.25	100 - 500	808.900	807.100	810.3	-4.5	813.8	-3.2	832.3	-3.1	-
Taiwan	(T$)	26.6350	+0.095	300 - 400	26.6400	26.6000	26.7005	-3.0	26.801	-2.5	-	-	-
Thailand	(Bt)	25.2000	+0.005	900 - 100	25.2100	25.1900	25.28	-3.8	25.405	-3.3	25.925	-2.9	-

†SDR rate for May 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 5. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	10	19.01	16.65	4.859	2.006	4659	5.455	21.08	500.8	399.5	22.53	4.146	1.959	4.046	2.931	301.5	2.522
Denmark	(DKr)	52.59	10	8.758	2.555	1.055	2450	2.869	11.09	263.4	210.1	11.85	2.180	1.030	2.128	1.541	158.6	1.326
France	(FFr)	60.05	11.42	10	2.918	1.205	2798	3.275	12.66	300.7	239.9	13.53	2.489	1.176	2.429	1.760	181.1	1.514
Germany	(DM)	20.58	3.913	3.427	1	0.413	958.9	1.123	4.339	103.1	82.22	4.637	0.853	0.403	0.833	0.603	62.06	0.519
Ireland	(I£)	49.84	9.478	8.301	2.422	1	2322	2.719	10.51	249.6	199.1	11.23	2.066	0.977	2.017	1.461	150.3	1.257
Italy	(L)	2.146	0.408	0.357	0.104	0.043	100.	0.117	0.452	10.75	8.574	0.484	0.089	0.042	0.087	0.063	6.472	0.054
Netherlands	(Fl)	18.33	3.486	3.053	0.891	0.368	854.2	1	3.865	91.81	73.24	4.131	0.760	0.359	0.742	0.537	55.28	0.462
Norway	(NKr)	47.43	9.020	7.900	2.305	0.952	2210	2.587	10	237.5	189.5	10.69	1.967	0.929	1.919	1.390	143.0	1.196
Portugal	(Es)	19.97	3.797	3.326	0.970	0.401	930.4	1.089	4.210	100.	79.77	4.499	0.828	0.391	0.808	0.585	60.21	0.504
Spain	(Pta)	25.03	4.760	4.169	1.216	0.502	1166	1.365	5.277	125.4	100.	5.640	1.038	0.490	1.013	0.734	75.48	0.631
Sweden	(SKr)	44.38	8.439	7.391	2.157	0.890	2068	2.421	9.357	222.3	177.3	10	1.840	0.870	1.796	1.301	133.8	1.119
Switzerland	(SFr)	24.12	4.586	4.017	1.172	0.484	1124	1.316	5.085	120.8	96.36	5.435	1	0.473	0.976	0.707	72.73	0.608
UK	(£)	51.04	9.705	8.500	2.480	1.024	2378	2.784	10.76	255.6	203.9	11.50	2.116	1	2.065	1.496	153.9	1.287
Canada	(C$)	24.72	4.700	4.116	1.201	0.496	1152	1.348	5.211	123.8	98.74	5.569	1.025	0.484	1	0.724	74.53	0.623
US	($)	34.12	6.487	5.682	1.658	0.684	1590	1.861	7.193	170.9	136.3	7.687	1.414	0.668	1.380	1	102.9	0.860
Japan	(Y)	331.6	63.06	55.23	16.11	6.654	15452	18.09	69.92	1661	1325	74.72	13.75	6.498	13.42	9.721	1000.	8.363
Ecu		39.66	7.541	6.605	1.927	0.796	1848	2.163	8.361	198.6	158.4	8.936	1.644	0.777	1.605	1.162	119.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, Swedish Kronor and Belgian Franc per 10; Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

May 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796183	+0.001055	-1.54	4.86	10
Netherlands	2.19672	2.16660	-0.00147	-1.37	4.68	-
Belgium	40.2123	39.7206	-0.0313	-1.22	4.52	9
Germany	1.94964	1.92980	-0.00146	-1.03	4.32	-
France	6.53883	6.61254	-0.00594	1.13	2.10	-9
Denmark	7.43679	7.55262	-0.00276	1.56	1.66	-11
Spain	154.250	158.568	-0.232	2.80	0.43	-20
Portugal	192.854	199.115	+0.248	3.25	0.00	-22
NON ERM MEMBERS						
Greece	264.513	284.362	+0.075	7.50	-3.96	-
Italy	1793.19	1850.46	-3.74	3.19	0.05	-
UK	0.786748	0.778496	+0.005319	-1.05	4.34	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6016	0.6018	+0.0001	0.6035	0.5998	63,530	115,584
Sep	0.6026	0.6020	+0.0003	0.6027	0.6020	384	5,728
Dec	0.6038	0.6038	+0.0007	0.6038	0.6038	10	621

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9788	0.9740	-0.0048	0.9798	0.9729	22,953	60,985
Sep	0.9794	0.9810	-0.0039	0.9850	0.9794	784	3,572
Dec	0.9906	0.9885	-0.0033	0.9906	0.9885	26	856

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.425	6.91	6.92	6.92	-	0.04	0.04
1.450	4.42	4.65	4.65	-	0.27	0.27
1.475	2.08	2.71	2.71	0.06	0.81	0.81
1.500	0.39	1.34	1.34	0.87	1.89	1.89
1.525	-	0.55	0.55	2.92	3.53	3.53
1.550	-	0.17	0.17	5.38	5.64	5.64

Previous day's vol., Calls 18,146 Puts 8,117 . Prev. day's open int., Calls 468,985 Puts 414,883

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7080	0.7060	-0.0021	0.7080	0.7058	17,133	40,384
Sep	0.7100	0.7087	-0.0016	0.7100	0.7085	164	824
Dec	-	0.7137	-	-	-	2	340

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4892	1.4942	+0.0010	1.4954	1.4880	14,605	46,819
Sep	1.4926	1.4940	+0.0020	1.4940	1.4926	108	1,172
Dec	-	1.4940	-	1.4940	-	1	37

WORLD INTEREST RATES

MONEY RATES

May 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5⅜	5½	5½	5⅜	5⅝	7.40	4.75	-
week ago	5⅞	5½	5¾	5¾	5⅞	7.40	4.75	-
France	5⅝	5 11/16	5 11/16	5⅝	5⅝	5.70	-	7.75
week ago	5¾	5⅞	5⅞	5¾	5⅞	5.70	-	7.75
Germany	5.54	5.30	5.15	5.08	5.04	6.50	5.00	5.47
week ago	5.66	5.30	5.38	5.32	5.28	6.50	5.00	5.47
Ireland	5 11/16	5⅞	6	6⅛	6¼	-	-	6.50
week ago	5¼	5⅞	6	6⅛	6¼	-	-	6.50
Italy	8 11/16	8	7⅞	7 11/16	8	-	7.50	8.10
week ago	8¾	8	8	8	8⅛	-	8.00	8.27
Netherlands	5.22	5.20	5.13	5.11	5.11	-	5.25	-
week ago	5.46	5.20	5.29	5.28	5.27	-	5.25	-
Switzerland	4⅛	4¼	4	4	4	6.625	3.50	-
week ago	3⅞	4⅛	4	4	4⅛	6.625	3.50	-
US	4	4⅜	4¾	5⅛	5¾	-	3.00	-
week ago	3 11/16	4½	4¾	4⅞	5¼	-	3.00	-
Japan	2⅛	2¼	2¼	2⅜	2⅛	-	1.75	-
week ago	2¼	2¼	2¼	2⅜	2 11/16	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4⅜	4 11/16	5⅛	5⅝	-	-	-
week ago	-	4⅜	4⅝	4⅞	5⅜	-	-	-
US Dollar CDs	-	4.25	4.56	4.99	5.60	-	-	-
week ago	-	4.25	4.10	4.51	5.10	-	-	-
SDR Linked Ds	-	3⅞	4	4⅛	4⅜	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth 6 . 3 mths: 5⅞; 6 mths: 5¾; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5½ - 5⅜	5½ - 5⅜	5 9/16 - 5 7/16	5⅝ - 5½
Danish Krone	6¼ - 5¾	6¼ - 5¾	6⅛ - 5 15/16	6¼ - 6 1/16	6 1/16 - 5 15/16	6⅛ - 5 15/16
D-Mark	5⅝ - 5½	5 7/16 - 5 5/16	5⅜ - 5¼	5⅛ - 5	5 1/16 - 4 15/16	5 1/16 - 4 15/16
Dutch Guilder	5 5/16 - 5 3/16	5 5/16 - 5 3/16	5¼ - 5⅛	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16
French Franc	5⅞ - 5¾	5⅞ - 5¾	5 13/16 - 5 11/16	5 11/16 - 5 9/16	5⅝ - 5½	5⅝ - 5½
Portuguese Esc.	12 - 11⅞	12¼ - 12	12¾ - 12¼	12⅛ - 11⅝	11⅛ - 10⅝	10⅝ - 10⅛
Spanish Peseta	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	7 13/16 - 7 11/16	8 - 7⅞
Sterling	4⅞ - 4¾	5 1/16 - 4 15/16	5⅛ - 5 1/16	5¼ - 5 3/16	5½ - 5⅜	6 - 5⅞
Swiss Franc	3⅞ - 3¾	4 - 3¾	3 15/16 - 3 13/16	4 - 3⅞	4 - 3⅞	4 - 3⅞
Can. Dollar	5⅞ - 5⅝	5 13/16 - 5 11/16	5 13/16 - 5 11/16	6 7/16 - 6 5/16	6⅞ - 6¾	7¼ - 7⅛
US Dollar	4 5/16 - 3 13/16	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4 13/16 - 4 11/16	5 3/16 - 5 1/16	5 13/16 - 5¾
Italian Lira	9 - 7½	8 - 7½	8 - 7½	8 - 7½	8 - 7⅝	8⅛ - 7⅞
Yen	2 5/16 - 2⅛	2¼ - 2 1/16	2¼ - 2 1/16	2¼ - 2 1/16	2⅜ - 2 3/16	2⅝ - 2½
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.47	94.44	-0.03	94.47	94.44	11,376	59,840
Sep	94.72	94.68	-0.04	94.73	94.68	8,447	45,069
Dec	94.66	94.64	-0.02	94.66	94.63	3,474	37,017
Mar	94.50	94.50	-0.02	94.54	94.46	3,314	32,345

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.93	94.89	-0.13	94.93	94.89	486	5106
Sep	94.23	94.21	-0.14	94.24	94.23	325	2151
Dec	-	93.72	-0.13	-	-	0	1372
Mar	-	93.46	-0.15	-	-	0	966

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.03	95.03	-0.01	95.04	95.01	14540	195270
Sep	95.22	95.21	-0.02	95.23	95.19	19932	183944
Dec	95.13	95.15	0.01	95.16	95.11	14109	177471
Mar	95.03	95.03	-0.01	95.03	95.00	8118	193550

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.31	92.29	-0.02	92.31	92.25	2189	43592
Sep	92.40	92.43	-0.01	92.44	92.38	2185	30102
Dec	92.27	92.31	-	92.33	92.27	862	35010
Mar	92.06	92.15	+0.02	92.15	92.06	170	12081

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.16	96.16	-	96.18	96.12	5118	21505
Sep	96.14	96.16	-	96.17	96.13	383	10914
Dec	96.01	96.04	-	96.04	96.01	238	5180
Mar	95.85	95.85	-	95.85	95.85	5	883

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.44	94.44	-	94.45	94.43	954	11354
Sep	94.53	94.54	-	94.64	94.53	429	11982
Dec	94.43	94.44	-0.01	94.44	94.43	125	6998
Mar	94.20	94.21	-0.02	94.20	94.20	35	2277

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.00	94.92	-0.08	95.00	94.90	188,895	420,598
Sep	94.32	94.22	-0.09	94.32	94.20	248,544	430,297
Dec	93.81	93.74	-0.07	93.81	93.71	297,122	381,843

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.39	95.34	-0.06	95.38	95.32	3,508	25,272
Sep	94.75	94.73	-0.09	94.78	94.71	929	11,086
Dec	94.37	94.33	-0.08	94.37	94.32	1,637	6,379

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9500	0.11	0.28	0.32	0.08	0.07	0.17
9525	0.03	0.13	0.19	0.25	0.17	0.29
9550	0.01	0.05	0.10	0.48	0.34	0.45

Est. vol. total, Calls 885 Puts 2738. Previous day's open int., Calls 232926 Puts 169926

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9600	0.18	0.26	0.27	0.02	0.10	0.23
9625	0.04	0.12	0.15	0.13	0.21	0.36
9650	0.01	0.06	0.07	0.35	0.40	0.53

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 549 Puts 4054

UK INTEREST RATES

LONDON MONEY RATES

May 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 1/16 - 3½	5⅛ - 4¾	5⅛ - 5	5 3/16 - 5 1/16	5½ - 5⅜	6 1/16 - 5 15/16
Sterling CDs	-	-	5 1/16 - 5	5 3/16 - 5 1/16	5⅜ - 5¼	5 29/32 - 5 27/32
Treasury Bills	-	-	4 29/32 - 4 27/32	4 31/32 - 4 29/32	-	-
Bank Bills	-	-	4 31/32 - 4 15/16	4 31/32 - 4 29/32	5⅛ - 5 1/16	-
Local authority deps.	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 5	5 3/16 - 5 1/16	5⅜ - 5¼	5 9/16 - 5 7/16
Discount Market Deps	4¼ - 4	5 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8868pc. ECGD fixed rate Stg. Export Finance. Make up day April 29, 1994. Agreed rate for period May 25, 1994 to Jun 25, 1994, Schemes II & III 6.56pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5½pc from May 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.56	94.56	-0.03	94.57	94.55	8404	80697
Sep	94.25	94.23	-0.06	94.26	94.20	11986	89275
Dec	93.73	93.67	-0.09	93.73	93.65	13427	128873
Mar	93.14	93.06	-0.11	93.15	93.05	7947	50397

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.12	0.13	0.09	0.06	0.40	0.92
9475	0.03	0.06	0.05	0.22	0.58	1.13
9500	0.01	0.03	0.02	0.45	0.80	1.35

Est. vol. total, Calls 1601 Puts 470. Previous day's open int., Calls 170746 Puts 157866

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTICE OF PREPAYMENT

Sakura Finance Australia Limited

(formerly: Mitsui Taiyo Kobe Australia Limited)

US$ 50,000,000

Guaranteed Floating/Fixed Rate Notes due 2000

Unconditionally and irrevocably guaranteed by

The Sakura Bank Limited

In accordance with paragraph 6 entitled *Redemption and Purchase* of the Terms and Conditions of the Notes, notice is hereby given that the Issuer will redeem, on May 31, 1994, the total amount remaining outstanding of the above-mentioned Notes at 100% of their principal amount (i.e. US$ 50,000,000).

Payment of interest due on May 31, 1994 and repayment of principal will be made in accordance with the Terms and Conditions of the Notes.

Interest will cease to accrue on the Notes as from May 31, 1994.

Luxembourg, May 10, 1994.

The Fiscal Agent

KBL Kredietbank Luxembourg

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 9 / Sch)

BELGIUM/LUXEMBOURG (May 9 / Frs.)

DENMARK (May 9 / Kr)

FINLAND (May 9 / Mka)

FRANCE (May 9 / Frs.)

GERMANY (May 9 / Dm.)

ITALY (May 9 / Lire)

NETHERLANDS (May 9 / Fls.)

NORWAY (May 9 / Kroner)

SPAIN (May 9 / Pts.)

SWEDEN (May 9 / Kronor)

SWITZERLAND (May 9 / Frs.)

PACIFIC

JAPAN (May 9 / Yen)

AUSTRALIA (May 9 / Aust$)

HONG KONG (May 9 / H.K.$)

MALAYSIA (May 9 / MYR)

SINGAPORE (May 9 / S$)

AFRICA

SOUTH AFRICA (May 9 / Rand)

NORTH AMERICA

CANADA

TORONTO (May 9 / Can $)

4 pm close

MONTREAL (May 9 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, May 9, 1994

	Stocks Traded	Closing Prices	Change on day
Brother Ind	4.1m	675	+2
Kawasaki Steel	2.9m	377	+7
Nippon Steel Corp	2.3m	348	−2
Wakachiku Const	2.2m	667	−3
Nippon Chemical	1.8m	805	+61
NKK Corp	1.7m	259	
Nippon Paper	1.7m	665	+12
Japan Mtl & Chem	1.7m	662	+16
Itochu Corp	1.6m	699	−1
Japan Steel Works	1.6m	359	+3

INDICES

US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Malaysia						
KLSE Comp.(4/4/86)	990.63	1011.57	1007.01	1314.46 5/1	928.33 4/4

** Sat May 7 : Taiwan Weighted Price 5981.75; Korea Comp Ex 936.41. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: May 9 - 2218.77 -14.78

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close May 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	14⅛	AAR x	0.48	3.2	500	323	15⅛	14¾	15	+¼
16⅞	13⅞	A L Labs A	0.18	1.3	32	116	14	14	14	
65⅝	57⅝	AMP x	1.68	2.6	22	508	64⅛	63⅞	64	
72¼	52⅛	AMR			29	1378	58⅜	57¼	58¼	+½
5	3⅝	ARX			14	300	4⅜	4¼	4¼	-⅛
58⅛	38⅝	ASA	2.00	4.7	26	894	43⅛	42⅞	42⅞	-⅛
30⅝	25½	AbbtL	0.76	2.7	16	10144	28	27⅜	27⅝	-⅛
13¾	11⅛	Abitibi Pr	0.50	4.3	6	28	11¾	11½	11⅝	-⅛
13¾	11⅛	Acptocaln			22	25	12½	12⅜	12⅜	+⅛
31	24½	ACE Ltd	0.44	1.6	4	266	28¼	27¾	28	+⅛
12½	10⅛	ACM Gvt In x	1.09	10.2		446	11	10¾	10¾	-¼
10⅛	7⅞	ACM GvOpp x	0.80	9.6		39	8½	8¼	8¼	-¼
10⅝	8⅝	ACM Gvt Sp x	0.96	11.1		208	8¾	8⅝	8⅝	
12	9⅝	ACM Gvt Se y	1.09	11.4		239	9¾	9½	9⅝	-⅛
11¾	8¾	ACM Man x	1.06	12.2		328	9½	8⅞	8⅞	-⅝
9¼	8	ACM Managd x	0.72	8.6		101	8⅜	8⅜	8⅜	
15½	8¾	AcmeCly x	0.44	3.6	16	891	12⅜	11¾	12¼	
8½	7⅛	Acme Elect			33	26	7¾	7⅝	7⅝	-⅛
28½	23	Acordia	0.60	2.1	14	29	u28½	28¼	28⅜	+⅛
9⅜	5¾	Actava	0.38	4.4	2	618	8½	8¼	8¼	-⅛
14	11¾	Acuson			109	467	d14¼	13⅜	14¼	+⅝
18⅜	16½	Adams Expr	0.48	2.8	0	124	17⅛	17	17⅛	+⅛
64	46½	Adv Micro	3.00	5.7		93	53	52⅛	52¾	+½
31¾	16¾	AdvMic	3.00	12.1	10	5233	24¾	24⅛	24¾	+¼
6⅞	5⅛	Advest Grp	0.16	3.1	8	33	6⅛	d5⅛	5⅛	
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4 pm close May 9

NYSE COMPOSITE PRICES

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

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FINANCIAL TIMES Tuesday May 10 1994

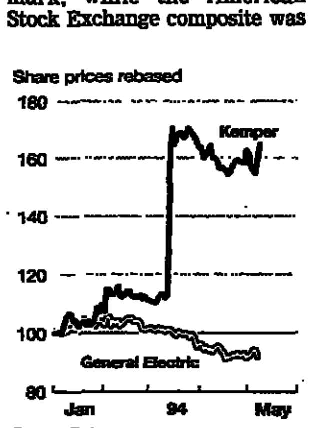
AMERICA

Dow falls as bond yields set a fresh high

Wall Street

US share prices fell across the board yesterday morning after bond yields had risen to a new 18-month high amid disappointment that the Federal Reserve did not, as had been expected, raise interest rates to cool the rapidly expanding economy, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones was down 24.39 at 3,645.11, near its low-point for the morning. The more broadly based Standard & Poor's 500 was down 3.13 at 444.69 at the halfway mark, while the American Stock Exchange composite was off 2.80 at 436.93 and the Nasdaq composite 5.27 lower at 727.59. Trading volume on the NYSE was 146m shares by 1 pm.



Source: Datastream

Typically, a tightening of monetary policy by the Fed is seen as negative for stocks, because higher interest rates undermine confidence in corporate earnings and the attractiveness of equities relative to other financial assets. However, yesterday was different, because the bond market was convinced that the Fed would raise interest rates during the morning session to prevent the economy from overheating and fuelling a revival of inflation.

When the Fed did not raise rates as expected, bond prices fell further from their morning lows, in the process pushing the yield on the benchmark 30-year issue up to more than 7.6 per cent, its highest level in 18 months. That increase prompted selling of stocks.

Among individual stocks, Kemper jumped $2⅞ to $59⅞ in heavy trading after the financial services group put itself up for sale after GE Capital raised its bid to $60 a share. The reaction of the market suggests that investors do not believe that a counter offer will be made higher than GE Capital's $60 a share bid. General Electric, GE Capital's parent, fell $1½ to $95⅛.

McKesson climbed $4 to $76 after it was confirmed that Glaxo, the UK pharmaceuticals giant, was in talks to possibly acquire part or all of the US drugs distribution group. Drug stocks as a group, buoyed by the recent merger activity, bucked the trend, with Schering-Plough adding $⅝ at $63⅝, Pfizer firming $⅝ to $59⅞, Bristol-Myers Squibb rising $⅛ to $53⅞ and Johnson & Johnson edging $⅛ higher to $40⅞.

Tobacco stocks were the most heavily traded sector of the session.

RJR Nabisco fell $⅛ to $6 in volume of 1.3m shares and Philip Morris slipped $1⅞ to $50⅛ amid growing concern that a new round of lawsuits was likely to be filed against the tobacco industry in the wake of recent reports that company executives knew for a long time that cigarettes caused lung cancer.

Canada

Toronto was weighed down by interest rate fears and stocks sagged at midday in sluggish trade, the TSE 300 composite index losing 33.96 at 4220.10.

Volume was 22m shares valued at C$224.9m, declines leading advances by 389 to 153 with 251 unchanged. All Toronto's 14 sub-indices sank at midday, with precious metals, financial services and forest products falling most.

The oil sector showed the greatest promise, as oil jumped another 8 cents to $17.77 per barrel. Shell Canada climbed C$⅝ to C$41⅛ while PanCanadian Petroleum was up C$⅛ to C$43.

Trizec dropped 16 cents to 29 cents as creditors continued to fight over the property company's restructuring plan.

Brazil slips 3% after new currency is announced

Brazil

Equities were down 3 per cent at midsession as investors reacted to news that the government intended to introduce its new currency – the real – from July 1.

The Bovespa index was quoted off 642 at 14,461. Turnover had reached Cr136bn ($94.7m).

Among active stocks, Telebras weakened 5.5 per cent to Cr42.50 and Eletrobras 4.7 per cent to Cr224.

The new currency is being brought in as part of an attempt to tackle inflation, which currently stands at around 50 per cent a month.

Several details about the changeover – future policy on the real's exchange rate with the US dollar, for example – will not be announced until next month.

Mr Rubens Ricupero, the finance minister, said final decisions on monetary and exchange rate policy were being finalised. It is expected that the real will be backed initially by Brazil's foreign exchange reserves.

The market has been depressed in recent weeks awaiting details of the government's anti-inflation policy. Equities have fallen by some 10 per cent in dollar terms so far this year.

Mexico

The market fell back in line with trading on Wall Street, but activity was described as moderate.

At midday the IPC index was down 5.58 to 2,171.12 in volume of 1.2m shares.

Telmex was 0.2 per cent easier at 9.16 pesos, affected by the fall of its ADRs on Wall Street.

The market was awaiting April's inflation data, due out later in the session, and anticipating Thursday's first ever televised debate by candidates for the forthcoming presidential election.

EUROPE

Zurich and Vienna both hit new lows for year

As bourses waited apprehensively for the US Federal Reserve to act on interest rates, yesterday was agonising for those of them, such as Zurich and Vienna, which are deeply influenced by attitudes to defensive stocks, *writes Our Markets Staff.*

Both Swiss and Austrian equities hit new lows. The Zurich market held out until early February against the prospect of lower US interest rates, said Mr Andrew Bell, director of European strategy at Barclays de Zoete Wedd, and even enjoyed a "bubble" in financial stocks early this year.

Since then, Germany, strong in cyclicals, has taken over the running and the Swiss correction has been savage: "from bubble to rubble in three months," said Mr Bell.

ZURICH saw heavy selling in Roche and growing worries about the weak dollar and the soft domestic bond market as the SMI index dropped 71.9, or 2.7 per cent, to 2,569.5, down 19.5 per cent from its January 31 closing high.

Roche certificates fell SFr150 to SFr6,300, while the bearers dropped SFr500 to SFr12,100.

Mr Frederick Hasslauer, at Bank Sal Oppenheim, said today's press conference and next week's analysts meeting would allow the company to justify the price it has paid for the Syntex acquisition in the US. Meanwhile, the takeover has been presented as defensive and this, in itself, has cast doubt on Roche's long term growth potential.

Turnover was said to be high, close to Friday's near SFr2bn level.

Representing dollar stocks, Nestlé dropped SFr45, or 4 per cent, to SFr1,085; in financials, CS Holding finished SFr26, or 4.45 per cent, weaker at SFr558.

VIENNA also saw heavy volume, and weakness in utilities, financials and construction stocks as the ATX index dropped 22.35 to 1,053.6.

Mr Frank Jonuschat at James Capel noted pressure on EVN and Verbund in utilities, the former dropping Sch48, or 3.6 per cent, to Sch1,300; domestic brokers said that investors were making room for next week's VA Tech flotation.

FRANKFURT lost a relatively modest 0.8 per cent, the Dax index closing 18.14 lower on the session at 2,218.88, holding its ground in the post bourse in spite of the morning decline on Wall Street.

Turnover fell again, from DM7.1bn to DM6bn, and traders detected no great pressure to sell.

Daimler consolidated Friday's post-bourse drop on DVFA losses of DM70 a share for 1993, losing DM12.50 at DM879; and profit-taking in the engineering sector saw Deutsche Babcock, amid a list of declines, DM3.20 lower at DM259.80.

PARIS managed to pick up some of the ground lost early in the day, but the CAC-40 index still closed the session with a loss of 18.80 to 2,139.42.

The market has continued to disappoint analysts, with a comment recently from Kleinwort Benson being typical. The investment bankers, recommending an underweight position within a European portfolio, noted that while the outlook for corporate earnings remained good and was improving, momentum had been stalled by the large number of rights issues and privatisations, both completed and forthcoming.

Euro Disney featured among the active issues, hitting a 1994 low of FFr29.75 at one stage before closing off FFr1.65 at FFr30.00 as investors awaited details of the capital increase.

AMSTERDAM weakened as the market kept its attention focused on a possible interest rate rise in the US. The AEX index shed 5.32 or 1.3 per cent to 406.03, slightly above the session low.

Among the day's news items, Ahold put on 10 cents to Fl 47.00 as the retailer reported a rise in sales over the first four months of the year. KLM was another of the day's risers, improving by 50 cents to Fl 52.50 on reports, later denied, that co-operation talks with Swissair might be reopened.

Unilever declined in line with the trend, finishing off Fl 4.50 at Fl 199.70: the multinational is due to report first quarter results later in the week.

Profit-taking was also evident among some recent strong performers such as DSM, off Fl 4.80 at Fl 138.70.

MILAN continued to wait for the formation of the new government and turnover was reported as moderate. The Comit index advanced 5.43 to 806.37.

The insurance sector moved ahead with some investors seen switching out of recently strong areas, such as industrials and finance. Generali, for instance, added L1,850 to L47,950, following its announcement last Friday that it was to lift its ordinary dividend. Fondiaria put on L340 to L17,550 amid continued speculation that Generali might be planning to strengthen its ties.

MADRID fell again but it was almost a relief, in the afternoon, for the market to be concerned as much with weakness on Wall Street as with Spain's political woes.

The general index closed 3.81 lower at 314.41 in turnover of Pta15.1bn. Banks, utilities and communications all suffered with BBV down Pta80 at Pta3,110, Iberdrola Pta17 lower at Pta925 and Telefónica Pta50 lower at Pta1,725.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

May 9 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1441.86	1439.44	1438.84	1440.66	1441.43	1440.40	1438.77	1437.30
FT-SE Eurotrack 200	1455.41	1453.92	1453.59	1455.64	1455.71	1454.73	1453.05	1452.04

	May 6	May 5	May 4	May 3	Apr 29
FT-SE Eurotrack 100	1450.53	1449.10	1447.68	1466.35	1462.82
FT-SE Eurotrack 200	1465.18	1466.74	1459.98	1473.07	1478.09

Base 1000 (26/10/90) High/day: 100 - 1442.93; 200 - 1456.08 Low/day: 100 - 1437.23 200 - 1450.12

ASIA PACIFIC

Hong Kong leads regional declines in thin turnover

Tokyo

Uncertainty over fluctuations in the yen, US interest rates and the knock on effect from New York's embattled bond and stock markets prevailed in Japan, and the Nikkei 225 average lost moderate ground in very low volume, *writes Emiko Terazono in Tokyo.*

Small-lot, arbitrage-linked selling left the index 75.51 easier at 19,786.96 after a day's high of 19,820.86 and low of 19,721.04. Volume was 150m shares, against Friday's 175m.

Investors looked for excuses to remain on the sidelines, said a Japanese trader. The settlement for index-futures options this Friday was cited as a further, domestic reason for the inactivity; and some market participants were said to be wary of the corporate earning reporting season, which starts this week.

Fears over the US Federal Reserve's monetary policy and its possible negative impact on US financial markets pushed down the dollar. The currency closed Y0.69 off from Friday at Y102.67. Investors continued to be wary of the yen's rise and its adverse affect on corporate earnings.

The Topix index of all first section stocks slipped 4.85 to 1,610.84 and the Nikkei 300 lost 0.66 at 294.94. Falls led rises by 666 to 307, with 185 issues unchanged. In London the ISE/Nikkei 50 index eased 0.24 to 1,308.06.

Export-oriented, high technology shares were lower on the rise in the yen. Sony fell Y90 to Y5,610. Toyota Motor also declined, by Y20 to Y1,960.

Individual investors continued to trade speculative favourites. Brother Industries, the most active issue of the day, firmed Y2 to Y675 and Wakachiku Construction shed Y3 to Y667 on profit-taking.

Higher commodity prices helped some sectors. Petroleum issues were higher on gains in crude oil, Showa Shell Sekiyu putting on Y30 at Y1,410 and General Sekiyu Y30 at Y1,250. The rise in gold bullion supported mining shares, Sumitomo Metal Mining rising Y5 to Y901.

Arbitrage selling hurt bank stocks, Industrial Bank of Japan declining Y20 to Y3,200 and Dai-Ichi Kangyo Bank Y20 to Y1,930.

In Osaka, the OSE average receded 69.53 to 22,027.33 in volume of 18.7m shares.

Roundup

Uneven trading characterised the Pacific Basin's markets yesterday. Manila was closed for a holiday.

HONG KONG fell 2.3 per cent in lower than average turnover, although bargain hunting later in the day helped to trim the losses. The Hang Seng index shed 198.57 to 8,421.70. Turnover amounted to HK$2.3bn, against Friday's HK$3.6bn.

Property and financial shares were selling targets. Brokers said uncertainties about plans to cool the overheated real estate market deterred purchases.

Cheung Kong was the day's most active issue, losing HK$1.25 at HK$34, followed by HSBC, off HK$1.50 at HK$81.50.

SINGAPORE retreated a further 1.5 per cent as the market continued to consolidate after testing the 2,300 level last week.

The Straits Times Industrial index shed 33.79 to 2,222.40 in turnover of S$438.8m. Brokers said weakness across the Pacific Rim undermined sentiment to push the index lower for the fourth session. Natsteel dropped 30 cents to S$5.00 on news of a cut in domestic steel prices. **SEOUL**, in contrast, rose for the fourth consecutive day in increased trading. The composite index added 3.74 at 940.15.

TAIWAN performed strongly and the weighted index gained 15.07 at 5,996.80, but after a session high of 6,054. Turnover fell to T$66.5bn from Saturday's T$77.4bn.

Ruentex Industries closed the day's limit up at T$31.80 on news that it could earn more than T$1bn in coming years on land development projects.

KUALA LUMPUR was marked down by 2 per cent, the falls led by foreign selling of blue chips. The composite index shed 20.94 to 990.63.

AUSTRALIA closed higher on firmer commodity prices. The All Ordinaries index rose 5.0 to 2,009.3. Turnover totalled A$307.0m.

Higher gold and base metals prices offshore helped to boost the prices of most mining issues, while industrial stocks continued to be depressed by worries over a possible rise in US interest rates.

WELLINGTON recovered from an early 20-point fall and the NZSE-40 capital index closed off 4.93 at 2,043.49.

BOMBAY maintained Friday's momentum, with the BSE 30-share index adding 40.33 at 3,755.90. Brokers said that overseas fund managers had begun to pick up some blue chip stocks.

KARACHI lost 2.5 per cent as many investors unloaded stock to square positions before today's clearing day.

The KSE 100-share index fell 58.84 to 2,307.42, with Lever Brothers off Rs75 at Rs1,325.

SOUTH AFRICA

Equities in Johannesburg remained positive ahead of today's closure for the inauguration of Mr Nelson Mandela as president. The overall index added 132 at 5,441, industrials advanced 95 to 6,609 and the golds index rose 66, or 3.6 per cent, to 1,891.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-1.57	-4.69	+29.53	-8.92	-6.23	-5.43
Belgium	+0.42	+3.02	+23.24	+1.06	+5.61	+6.50
Denmark	-3.13	-1.67	+22.09	-0.29	+2.98	+3.85
Finland	-1.72	+0.88	+49.41	+13.14	+20.17	+21.18
France	-0.43	+1.37	+16.23	-3.80	-1.39	-0.56
Germany	-0.26	+1.32	+33.42	-1.75	+1.54	+2.40
Ireland	-2.81	-0.71	+22.38	-3.06	-0.84	+0.00
Italy	+0.22	+5.85	+48.97	+30.12	+38.02	+39.19
Netherlands	-0.54	-0.42	+25.43	-2.31	+0.56	+1.40
Norway	-0.94	-0.98	+25.93	+3.49	+6.77	+7.67
Spain	-1.93	-1.96	+26.42	-3.65	-0.62	+0.23
Sweden	+2.54	+2.57	+36.00	+6.54	+14.25	+15.21
Switzerland	-2.95	-6.93	+24.51	-8.38	-4.74	-3.93
UK	-0.54	-0.31	+12.89	-7.80	-7.80	-7.02
EUROPE	-0.64	-0.04	+21.74	-3.18	-0.97	-0.13
Australia	-2.69	-3.13	+16.57	-7.29	-3.14	-2.33
Hong Kong	-3.91	-8.33	+28.24	-28.09	-28.63	-28.08
Japan	+0.85	-0.03	+0.58	+11.23	+19.77	+20.78
Malaysia	-4.67	+5.22	+52.91	-21.80	-20.93	-20.27
New Zealand	-3.06	-2.70	+28.62	-7.76	-5.67	-4.87
Singapore	-2.38	+7.08	+35.10	-10.91	-8.65	-7.88
Canada	-0.55	-1.02	+9.87	-0.79	-5.76	-4.97
USA	-0.71	+0.13	+0.82	-3.93	-4.73	-3.93
Mexico	-4.04	-2.53	+36.80	-13.88	-19.87	-19.19
South Africa	-2.00	+8.52	+44.98	+8.54	-1.65	-0.83
WORLD INDEX	-0.42	-0.06	+7.34	-0.61	+1.61	+2.47

† Based on May 5th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

The world would have looked a lot worse last week, in aggregate, but for a fragile 1.5 per cent gain in Japanese equities on Friday. Later that day, the US announced a 267,000 rise in non-farm payrolls, and global markets shuddered. In London, Mr Albert Edwards, global strategist at Kleinwort Benson, is looking for "a major ratcheting up of US interest rates". In addition, he describes US March mutual fund data as "a disaster", emphasising the point by lifting cash from 7 to 10 per cent of his recommended equity asset allocation.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 6 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MAY 5 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	162.99	0.9	161.97	105.90	141.19	151.59	0.9	3.62	161.48	159.96	104.83	140.06	150.27	189.15	130.19	137.64
Austria (17)	174.94	-0.8	173.83	113.65	151.53	151.69	-0.7	1.02	176.25	174.58	114.41	152.86	152.69	195.41	139.63	142.65
Belgium (42)	173.22	-0.2	172.13	112.54	150.04	146.55	-0.3	3.73	173.62	171.97	112.70	150.57	147.03	178.67	141.92	148.14
Canada (106)	129.04	0.2	128.23	83.84	111.77	129.16	-0.1	2.61	128.77	127.55	83.59	111.68	129.25	145.31	121.46	127.79
Denmark (33)	256.72	-0.1	255.10	166.79	222.38	227.80	-0.1	0.95	256.94	254.50	166.79	222.83	228.11	275.79	207.58	225.64
Finland (22)	149.29	0.5	148.35	96.99	129.31	169.40	0.4	0.88	148.60	147.19	96.46	128.87	168.79	156.72	85.54	99.63
France (98)	174.98	-0.1	173.88	113.68	151.57	156.79	-0.1	2.86	175.11	173.45	113.67	151.87	157.03	185.37	149.60	161.56
Germany (58)	143.60	0.2	142.70	93.30	124.38	124.38	0.0	1.66	143.37	142.02	93.07	124.34	124.34	147.07	107.59	113.57
Hong Kong (56)	352.17	2.6	349.95	228.80	305.05	349.36	2.6	3.04	343.17	339.92	222.77	297.63	340.40	506.56	271.42	274.55
Ireland (14)	185.21	-0.4	184.04	120.33	160.43	179.53	-0.4	3.35	185.99	184.24	120.74	161.31	180.27	209.33	155.93	160.75
Italy (60)	95.47	3.5	94.86	62.02	82.69	114.10	3.0	1.54	92.20	91.33	59.86	79.97	110.73	96.03	67.88	70.96
Japan (469)	157.17	1.4	156.18	102.11	136.14	102.11	1.5	0.79	155.01	153.55	100.62	134.44	100.62	165.91	124.54	145.67
Malaysia (98)	471.66	0.8	468.69	306.43	408.56	478.93	0.0	1.42	467.96	463.54	303.78	405.86	480.04	621.83	312.51	317.77
Mexico (18)	1923.57	-0.1	1917.38	1253.61	1671.36	6983.07	0.0	0.72	1931.32	1913.09	1253.71	1674.98	6963.07	2647.08	1431.17	1491.60
Netherland (36)	201.90	0.6	200.63	131.17	174.89	172.42	0.5	3.26	200.70	198.81	130.29	174.07	171.62	207.43	163.30	169.87
New Zealand (14)	64.60	1.8	64.19	41.97	55.95	59.46	2.0	4.01	63.45	62.85	41.19	55.03	58.32	77.59	46.62	47.56
Norway (23)	193.42	-0.7	192.19	125.66	167.53	189.78	-0.9	1.75	194.80	192.95	126.45	168.94	191.46	206.42	160.61	166.21
Singapore (44)	338.56	-1.3	336.43	219.96	293.26	242.77	-1.4	1.65	343.01	339.77	222.67	297.49	246.22	378.92	238.62	241.89
South Africa (59)	264.94	3.3	263.27	172.13	229.49	271.88	1.3	2.27	256.43	254.01	166.46	222.40	268.47	280.26	175.93	187.74
Spain (42)	139.67	0.6	138.78	90.74	120.98	145.38	0.7	4.10	138.86	137.56	90.14	120.43	144.35	155.79	116.33	131.08
Sweden (36)	226.24	-0.9	224.82	146.99	195.97	258.15	-1.1	1.54	228.29	226.13	148.20	198.00	260.89	230.02	163.65	176.24
Switzerland (46)	153.85	-1.1	152.88	99.96	133.28	135.09	-1.2	1.78	155.53	154.06	100.96	134.88	136.79	176.58	121.14	123.24
United Kingdom (205)	190.65	-0.3	189.45	123.86	165.14	189.45	0.0	3.91	191.19	189.38	124.11	165.81	189.38	214.96	170.32	177.71
USA (519)	182.45	-0.9	181.30	118.53	158.03	182.45	-0.9	2.93	184.03	182.29	119.47	159.61	184.03	196.04	178.95	180.97
EUROPE (724)	169.35	0.1	168.28	110.02	146.69	159.81	0.1	2.89	169.27	167.67	109.88	146.80	159.68	176.58	141.58	147.04
Nordic (114)	213.63	-0.5	212.29	138.79	185.05	213.26	-0.6	1.32	214.72	212.68	139.38	186.22	214.61	220.60	155.82	168.90
Pacific Basin (750)	164.46	1.4	163.42	106.85	142.45	111.52	1.4	1.08	162.21	160.68	105.30	140.69	109.95	166.80	134.79	149.04
Euro-Pacific (1474)	166.34	0.8	165.29	108.07	144.08	130.41	0.8	1.85	165.00	163.44	107.11	143.10	129.31	170.78	141.98	148.10
North America (625)	179.13	-0.8	178.00	116.38	155.16	178.78	-0.8	2.91	180.60	178.89	117.24	156.63	180.26	192.73	175.87	177.67
Europe Ex. UK (519)	153.87	0.2	152.90	99.97	133.28	141.16	0.1	2.29	153.51	152.05	99.65	133.13	141.02	157.47	122.37	127.85
Pacific Ex. Japan (281)	237.25	1.3	235.75	154.14	205.50	215.97	1.1	2.76	234.17	231.96	152.01	203.10	213.57	298.21	181.46	182.60
World Ex. US (1657)	167.30	0.8	166.24	108.69	144.91	133.53	0.8	1.88	165.92	164.35	107.71	143.90	132.44	172.51	142.94	148.62
World Ex. UK (1971)	169.45	0.3	168.38	110.09	146.77	144.94	0.2	2.08	168.97	167.37	109.69	146.55	144.58	175.58	153.22	158.61
World Ex. So. Af. (2117)	170.77	0.2	169.69	110.94	147.91	147.99	0.2	2.24	170.44	168.82	110.64	147.81	147.68	178.58	155.00	158.38
World Ex. Japan (1707)	180.92	-0.3	179.78	117.54	156.71	176.02	-0.3	2.88	181.41	179.69	117.76	157.33	176.57	195.20	165.70	167.12
The World Index (2176)	171.33	0.2	170.25	111.31	148.40	148.93	0.2	2.24	170.94	169.32	110.97	148.25	148.60	178.97	155.17	158.47

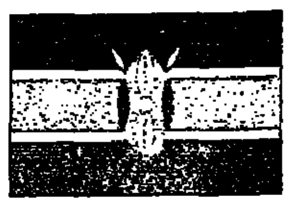
Latest prices were unavailable for this edition.

The government regards democracy as a bothersome foreign imposition: **Page 3**

FINANCIAL TIMES SURVEY

KENYA

Tuesday May 10 1994



An African test case for good government

In spite of the legalisation of opposition parties and the implementation of economic reforms, Kenya is still very much on probation, writes Leslie Crawford

Kenya has undergone such radical changes in the 1990s that the image which it presents to the world is often discordant and confused.

The one-party state legalised the opposition and contested elections in 1992, while arguing it did not believe in democracy. *President Daniel arap Moi* rebelled against the dictates of the International Monetary Fund last year, and then implemented a comprehensive set of economic reforms which have won plaudits from local and foreign investors. A new team at the treasury is attempting to stem the misuse of public funds, but the culprits remain politically powerful and above the law.

The Kenyan government shelters hundreds of thousands of refugees from conflict in neighbouring countries, but *tolerates the practice of ethnic* cleansing in its own backyard.

It is not always easy to decipher these conflicting signals, in part because the international community's relations with Kenya have also changed. More than any other country in Africa, Kenya is being held as a test case for new donor policies linking aid to good government.

Since November 1991, when the World Bank, IMF and donor governments decided to withhold hundreds of millions of dollars of financial assistance as a protest against mounting corruption and against Kenya's political and economic failings, this lapsed African role model has been on probation.

The aid freeze proved to be the catalyst for much of the change that ensued. A few days after the landmark donor meeting in Paris, President Moi legalised opposition parties. In the elections which followed in December 1992, President Moi and his Kenya African National Union (Kanu) party defeated a divided opposition.

The elections, however, failed to deliver the promise of *democracy. Kanu retains an* absolute grip on power, which it wields arbitrarily. Since the advent of the new multi-party era, police have developed a worrying fondness for arresting and harassing opposition members of parliament. Twenty-five MPs – almost a third of the opposition force – have been inside Kenyan jails in the past year. Their most frequent offence has been to hold meetings in their constituencies in defiance of police bans.

IN THIS SURVEY

Kenya's lively and independent press is also under attack for reporting on ethnic clashes in the populous Rift Valley – a highly sensitive conflict pitting President Moi's Kalenjin clan and other pastoral tribes against Kikuyu settlers, the largest ethnic group in Kenya. The clashes have caused 1,500 deaths and displaced 300,000 people since 1991, according to church and human rights groups.

The government, meanwhile, is trying to impose a blackout on news about the troubled region by charging reporters with subversion.

The government blames Kenya's recent social turmoil on the multi-party system it adopted under duress. President Moi, a reluctant convert to democracy, believes western-style political parties can*not work in Africa because of* their tendency to fragment on tribal lines.

But whereas the new political scenario in Kenya has thrown the tribal factor into greater relief, the fissures were already evident under one-party rule. Since 1978, President Moi has governed with a coalition of minority Rift Valley tribes, who resented Kikuyu domination under the late Jomo Kenyatta, Kenya's first president, and fear a revival of Kikuyu power.

While tribal arithmetic and *mistrust have prevented genu*ine political dialogue between government and opposition, the arithmetic of dwindling aid dollars has made talking with Kenya's distrustful donors an absolute imperative.

Kenyan officials are reluctant to spell out the cost of the two-year aid freeze but it can be measured by the slump in economic growth, the decline in per capita incomes and in the collapse of social services. During the first year of the aid freeze, Kenya recorded its lowest growth rate since independence: a meagre 0.4 per cent in 1992.

The economy remained stagnant in 1993, while the government ran up $700m in arrears on its external debt repayments. Unemployment affects 27 per cent of the urban population. In Kenya's state hospitals, operating theatres lie idle because of the lack of essential drugs and surgical equipment. *Children are being denied* education because parents cannot afford school fees. Roads, railways, power and water systems have fallen into disrepair.

After the storm: Nairobi is shaping up for growth following reforms

In addition, the run up to the December 1992 elections saw some very curious financial transactions thought to have benefited some who were uncertain of their political future. New domestic banks were licensed to finance the campaigns of Kanu politicians. Large quantities of gold and diamonds were allegedly exported in order to qualify for generous government rebates. Financial irregularities multiplied after the elections, involving the Central Bank in the provision of billions of shillings of unsecured loans to "political banks".

By the time Mr Musalia Mudavadi, appointed finance minister in January 1993, was able to stop the rot, the cost to the *exchequer* had been estimated by independent auditors at Ks30bn ($430m), or approximately 10 per cent of the country's gross domestic product. It was the biggest sum to go missing from public funds in Kenya's history.

Heads rolled at the Central Bank, but, to date, no-one has been charged with financial wrongdoing.

The enormity of the financial losses, however, appears to have jolted Kenya's decision makers to their senses. A rapprochement was sought with the World Bank and IMF. A new governor, Mr Micah Cheserem, was appointed to the Central Bank. By mid-1993, Kenya was back on a serious reform track. Mr Cheserem, a former senior accountant with Unilever, concentrated on tightening banking regulations and supervision. At the Treasury, Mr Mudavadi worked on the most rapid deregulation of *an economy Africa has ever* seen. Import licences were scrapped. The Kenya shilling was devalued and then floated. Exporters were allowed to keep their foreign exchange earnings. Restrictions on the repatriation of profits and dividends were lifted. All price controls, with the exception of petroleum products, were abolished. The government opened to private traders the import and marketing of maize, Kenya's staple foodstuff.

The private sector, long suffocated by government controls, is feeling rather giddy in the newly liberalised environment. Exports responded to the devaluation of the shilling, surging by 15 per cent last year to $1.1bn. Local manufacturers no longer have to queue and bribe to obtain import licences and rationed foreign exchange. A majority of multinationals polled by the East Africa Association are planning significant *new investments. The reforms* have won Mr Mudavadi and Mr Cheserem a devoted following among Nairobi bankers and businessmen. In November 1993, Kenya's dynamic duo were rewarded with the restoration of fast-disbursing balance of payments aid and encouraging words of support from a less sceptical donor community.

Inside government, however, Mr Mudavadi is battling a formidable coalition of opponents of reform, who resent the loss of patronage implicit in the finance minister's agenda.

So far, Mr Mudavadi has stayed the course, thanks to President Moi's backing and the absence of any credible alternative economic policy, but his security of tenure is not guaranteed. Neither is success as he prepares to tackle the daunting problems of a chronic budget deficit and parastatal reform.

Donors worry that the finance minister's plans may be over-ambitious. Neither inflation, running at an annualised rate of 50 per cent, nor government expenditures are under control. The cost of servicing the government's ballooning domestic debt leaves little room for investment in Kenya's dilapidated social services. Few of the 400,000 school-leavers this year will find jobs.

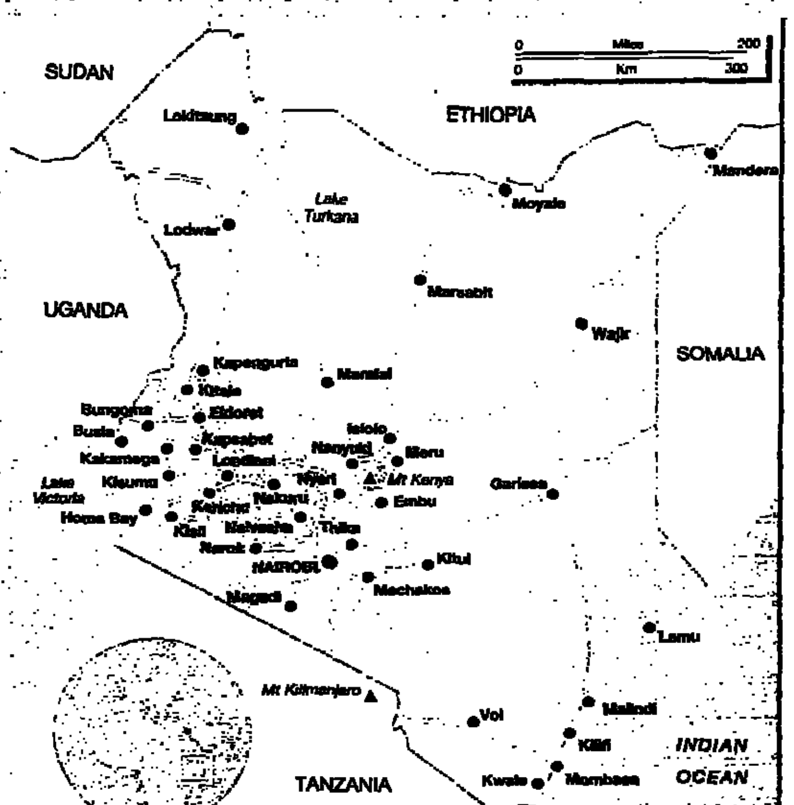
And yet, with elections not due for almost four years, there is hope that Mr Mudavadi, backed by a strengthened private sector, may be given the chance to put Kenya back on to the growth fast-track.

Perhaps a modern civic society will also be allowed to emerge as a generation of political leaders, whose authoritarian instincts date back to the struggle for independence, finally retire.

KENYA: KEY FACTS

	1991	1992	1993 (est)
Population growth (%)	3.1	3.1	3.1
Real GDP growth (%)	2.3	0.4	0.4
GDP (Ks million)	227.2	268.4	332.6
Average annual inflation (%)	19.6	27.3	46.1
Govt. revenue (Ks billion)	53.6	67.3	78.5
Govt. expenditure (Ks billion)	65.8	70.8	93.4
Money supply (Ks billion)	74.3	99.3	124.8
Exports (Ks billion)	28.0	32.5	67.3
Coffee	4.4	4.1	11.0
Tea	7.6	9.5	18.7
Horticulture	3.4	4.0	7.4
Imports (Ks billion)	53.8	61.8	101.1
Petroleum	10.6	12.7	25.5
Machinery & Transport	14.4	13.3	23.3
Chemicals	6.0	9.4	19.9
Manufacturing	7.4	7.6	14.7
Trade balance (Ks billion)	-24.8	-29.3	-33.8
Current acc balance (Ks bn)	-5.5	-3.6	+7.2
Foreign reserves (Ks billion)	7.4	12.2	58.4
Average exchange rate (Ks/US$)	28.1	36.2	58.0
Debt service ratio	30.5	32.9	28.5

Source: Central Bank of Kenya



ECONOMY: Kenyan business is emerging from a traumatic period in the doldrums, but reforms promise respectable growth, says **Tony Hawkins**

The old guard can offer no alternative

If big-business sentiment is a reliable guide, the Kenyan economy has turned the corner and is poised to return to respectable growth rates in the latter half of the decade, though 1994 will be flat.

Kenyan business is emerging from a traumatic period in the doldrums – 100 per cent inflation, 70 per cent devaluation, an epidemic of damaging financial scandals, record interest rates, drought, a freeze on donor funds and sudden, unpredictable shifts in macro-economic policy.

Yet such is the economy's resilience that GDP stayed fractionally ahead of the game, with real output rising 0.4 per cent in both 1992 and 1993 and forecast to grow by 2 to 3 per cent this year.

But business sentiment is notoriously fragile and volatile. A leading businessman admits to "a nervous feeling in the pit of my stomach" that at least some of the sweeping reforms of the past 12 months will be reversed. Another believes that the scales are so finely balanced between reform and a return to controls that the outcome is too close to call.

The most immediate challenge is political. Clustered around President Daniel arap Moi is a clutch of old-guard politicians for whom structural adjustment, deregulation, privatisation, the World Bank and the IMF are dirty words. They are unlikely to acquiesce in the loss of privileged access to wealth and patronage at the behest of, and under duress from, the donor community.

That said, this anti-reform group does not have much going for it, given the failure of its policies. However, it can point to falling living standards and the limp supply response to reform, other than exports. With a population growing at 3.4 per cent annually and stagnant GDP, real incomes have fallen some 8 per cent since 1990; unemployment has worsened and wage awards have fallen far behind inflation. Urban unemployment climbed from 16 per cent in 1986 to 23.5 per cent by 1991, and is now estimated to be in the region of 27 per cent, while rural unemployment is put at 12 per cent.

The critics are on weak ground, however, when it comes to policy alternatives. The old guard has nothing to offer in its place. There is no constituency for a return to the bad old days of price and import controls, overvalued exchange rates and pervasive state intervention. With no elections due for almost four years, the reformers have a window of opportunity to get Kenya back on to a 5 per cent growth track – fuelled, this time, by a structurally healthy economy, rather than one dependent on aid and volatile commodity prices than.

A survey of multinationals by the East Africa Association finds that the majority of the 37 respondents (to date) have significant investment plans. Only one is disinvesting. The government's Investment Promotion Centre has had 120 investment inquiries so far this year, and about 20 per cent of them have been translated into firm project proposals. The country's first privately-owned industrial park and export processing Zone (EPZ) is fully subscribed, while officials claim good support for Athi River EPZ, due to come on stream later in the year.

This – largely anecdotal – evidence suggests that there are at least the stirrings of an investment supply response, while exports have already responded significantly to devaluation and 100 per cent earnings retention. In dollar terms, exports surged 15 per cent last year to \$1.1bn.

Industrialists attribute increased exports of manufactures to devaluation, strengthening economies in (and improved trading ties with) Uganda and Tanzania, and some shift of commerce from informal to formal channels. Clothing, textile and footwear firms, some in the EPZ, or utilising the manufacturing-under-bond scheme, are penetrating European and North American markets

Reform has done wonders for the financial sector, too – though not yet for insurance groups. Barclays Bank of Kenya doubled its profits last year, while share prices doubled on the Nairobi Stock Exchange in the first two months of 1994, though they have since fallen by a quarter.

Business has also been encouraged by the opening up of constructive dialogue with the government, and especially with finance minister Musalia Mudavadi and central bank governor Micah Cheserem. Private enterprise played a leading role in staging the Nairobi investment conference last week, and will be prominent at the London investment conference scheduled for November, being organised with Confederation of British Industry.

Not everyone is upbeat. The donor community, marching to a different drum, is stuck in wait-and-see mode. Its caution stems partly from its understandable preoccupation with political conditions, memories of having been misled by the Kenyans in the 1980s, and current concerns about macroeconomic management.

The challenges here are formidable: per capita incomes will fall again this year for the fourth successive year; inflation, which had fallen to 16 per cent on a three-month moving average basis by December last year, from a peak of 101 per cent in mid-year, is back above 50 per cent; bank lending rates of 33 per cent are substantially negative in real terms and set to move higher; and the exchange rate, having overshot (it fell to a low of Ks70 to the dollar late last year), has now appreciated to the point where exporters are beginning to complain that their competitive edge is under threat.

This year, too, the economy will pick up the tab for the fiscal and monetary expansion associated with the December 1992 elections and the subsequent banking and financial scams that cost the country literally hundreds of millions of dollars. The authorities managed to slow money supply growth to 26 per cent last year, from 33.6 per cent in 1992, by driving treasury bill yields above 70 per cent to drain liquidity from the system at enormous interest cost to the exchequer. The volume of bills outstanding more than quadrupled during 1993, to reach Ks59bn at the end of the year, and increased by a further 35 per cent in the first quarter to Ks80bn in early April.

The high nominal interest rates used to mop up liquidity now threaten to destabilise the economy, fuelling rapid monetary growth as capital flight is reversed, resulting in a substantial 1993 current account balance of payments surplus and a firmer shilling. Managing the T-bill mountain will tax the authorities' ingenuity, forcing them to lengthen borrowing maturities, or incur a budgetary surplus to repay debt.

The latter option is not on the cards. The budget deficit is forecast at 7 per cent of GDP this year (to June 30), due to heavy interest charges, external debt-restructuring notwithstanding. Interest costs account for 42 per cent of recurrent spending – 35 per cent domestic and 7 per cent foreign.

It is clear that structural adjustment is not going to succeed without radical public sector reform. Civil service reform, in terms of freezing posts and retrenching staff, is on target, but this is only the tip of the iceberg. The real challenge is to improve accountability, transparency and efficiency right though the public sector, and especially the parastatals. Re-engineering the parastatal sector is arguably the most formidable challenge facing the government, since public enterprise inefficiency and infrastructural decay are both a heavy burden on the budget and major deterrents to new investment.

Fiscal policy and the associated problems of monetary management and inflation top the policy agenda, and it is here that the scope for (and danger of) slippage is greatest, under pressure from big-spending ministers. The government is caught in a fiscal bind – stagnant revenue, reduced aid inflows, expenditure overruns, escalating interest costs, and the need to write off debt to clean up parastatal balance sheets.

Over the next two years, the deficit must be trimmed to 2 per cent of GDP, implying both revenue enhancement and spending cuts. There are high hopes of the former, following the appointment of three pre-shipment import inspection agencies, whose prime task will be to monitor customs and VAT payments, thereby levelling the playing-field for local manufacturers facing competition from importers, paying bribes rather than duties to get their products into the country, while simultaneously boosting government revenue. Estimates suggest that anything for 25 to 50 per cent of taxes and duties are being evaded/

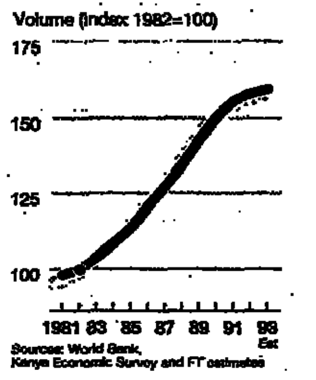
But it is impossible to reconcile heavy investment in the country's rundown and deteriorating infrastructure with fiscal stringency and domestic debt repayment, especially in a country forced to live with the withdrawal symptoms of reduced aid dependence. Traditionally, Kenya was able to rely on donor funding for development, with net disbursements of over \$1bn annually in 1989-90. But those days have gone: Kenya's aid reliance ratio (aid as a percentage of GNP) fell from 13.7 per cent in 1989-90 to 7 per cent in 1991-92, when inflows declined to \$780m.

To achieve social stability, the economy must grow at 7 per cent annually into the next century, creating 165 000 new wage-sector jobs each year. This is a tall order, given declining rates of investment.

The reforms of the past year have created a platform for self-sustaining growth, but there is a long way to go to overcome the political doubts of the recent past, to rehabilitate the public sector and create the enabling environment necessary for Asian-style growth rates.

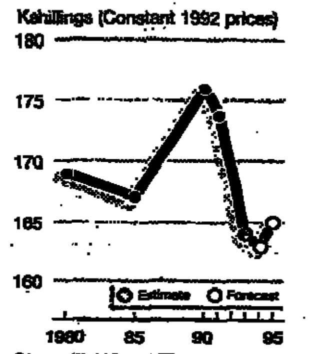
The jury is out on the sustainability of Kenyan reform, but with private enterprise markedly more bullish than before, the investment response lacking in so many parts of Africa may materialise in the latter half of the decade.

Manufacturing production
Volume (index 1982=100)



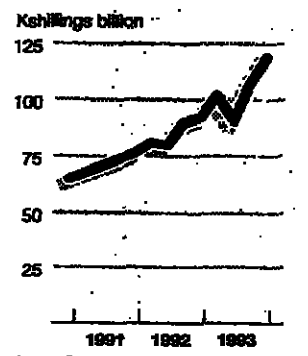
Sources: World Bank, Kenya Economic Survey and FT estimates

GDP per head
Kshillings (Constant 1992 prices)



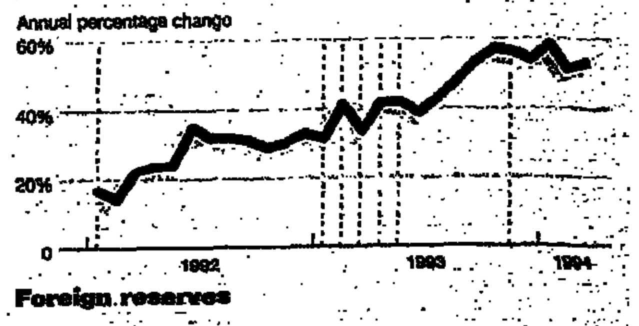
Sources: World Bank & FT estimates

Money supply
Kshillings billion

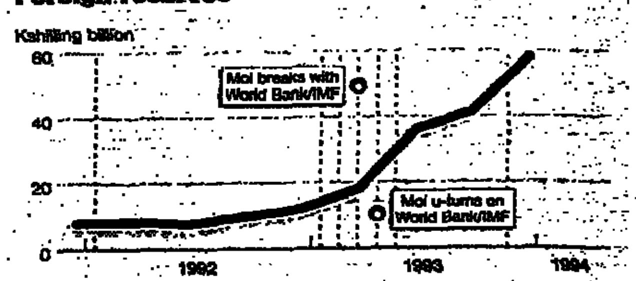


Source: Central Bank of Kenya

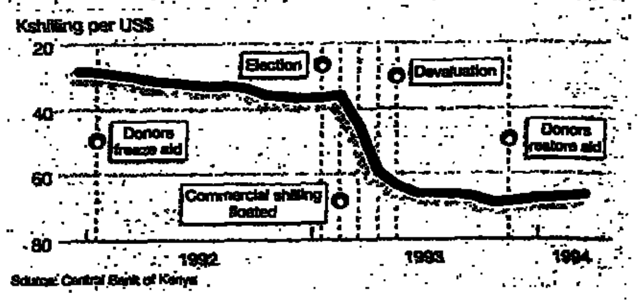
Inflation
Annual percentage change



Foreign reserves
Kshilling billion



Exchange rate
Kshilling per US\$



Source: Central Bank of Kenya

Musalia Mudavadi: a constructive dialogue with business

The private sector is carrying the can for public sector inefficiency

Indigestion inhibits growth

After years of complaining that implementation of Kenya's reform programme has been too slow, donors are now warning of "overload" and "indigestion".

Overload is the consequence of weak public sector managerial skills on one hand, and pervasive political intervention and obstructionism on the other. After a year in which many of the constraints on the economy – especially those affecting prices, foreign trade and payments and the financial sector – have been swept away, Nairobi is now under pressure on two main counts: public sector reform, including parastatal restructuring; and macroeconomic stabilisation.

The two are closely interlinked; price and exchange rate stability will be restored only when the budget deficit and credit creation are brought under control. The current macroeconomic policy stance is the now-familiar counter-productive mix of fiscal expansion, partly offset by monetary curbs. As fast as the government pumps liquidity into the system, so the central bank mops it up with treasury bills and increased statutary cash reserves.

As a result, the private sector – the obvious engine of growth – is carrying the can for public sector inefficiency. Investment is being constrained by parastatal inefficiency and a weak infrastructure, while government profligacy is crowding out corporate investment, forcing firms to pay higher nominal interest rates.

This has to change. In the ambitious policy framework paper (PFP), agreed with the IMF late last year, the government has promised to cut the budget deficit to a targeted 6.1 per cent in 1993-94, from 10.5 per cent last year, with further reductions to 3 per cent in 1994-95 and 2 per cent the year after. When grants are included, the budget should be in balance by 1995-96.

Despite generous terms from the Paris Club, external debt is a burden

Some slippage is inevitable given the difficult political environment and the enormity of the task in the public sector. The signs are that Kenya will overshoot the deficit target by over 1 per cent in the year to June 30, and this could turn out to be optimistic as hitherto unknown public sector spending commitments and borrowings continue coming to light.

The 1994-96 PFP targets increasing revenue from 22 per cent of GDP to 24 per cent by 1996. Some maximum tax rates will be lowered, but the tax-base will be broadened by abolishing tax exemption for parastatals, improving revenue collections and expanding VAT to cover services.

Government spending is to be reduced from 29 per cent to 26 per cent of GDP by 1995, by eliminating subsidies to the National Cereals and Produce Board, civil service retrenchment, and cuts in security spending and interest charges. The latter looks a forlorn hope at a time when domestic interest charges are absorbing over a third of the budget and foreign payments a further 7 per cent.

The civil service is shedding 26,000 jobs – over half of them unfilled posts – in the current year, reducing its workforce by some 5 per cent to 250,000. A further 48,000 jobs will go over the next three years at the rate of 16,000 annually.

Price controls have been virtually eliminated, with one significant exception – fuel prices. These are due to be deregulated by July, though important technical issues relating to the refinery remain to be resolved.

Far-reaching reforms are proposed for agriculture, including strengthening research and extension services, the privatisation of some government-provided services such as tractor hire and veterinary services, increased cost recovery, and a new, much-diminished role for the NCPB, to maintain and manage a strategic maize reserve of some 3m 90kg bags.

The PFP programme is costed out at \$2.4bn, of which \$800m would come from existing grants and loans, leaving a \$1.6bn gap. The fact that new aid commitments over the 1994-96 period are estimated at only \$300m underscores the changed financing environment that Kenya is now experiencing. No longer can aid be relied upon to close the gap, and Kenya will need "exceptional financing", including the refinancing of arrears, totalling \$1.3bn over the next three years.

The two-year politically-driven donor freeze on balance-of-payments aid, estimated at \$700m, cost Kenya dear. Not only was it partly responsible for the 1992-94 slowdown in the economy, but because foreign interest payments were missed, Nairobi lost its position as one of the select few of African countries that has avoided debt restructuring.

Although Kenya secured generous refinancing terms from the Paris Club of official creditors, its external debt burden remains uncomfortable. Interest arrears will be repaid in seven instalments over eight years, with a one-year grace period. Five per cent of the arrears are payable in 1995, rising to 25 per cent in 2001, and negotiations are to be held later with commercial creditors, with a view to obtaining similar terms for \$100m of arrears.

In the three years to 1992, Kenya's debt-service ratio averaged 32 per cent of exports; and, while it fell to around 25 per cent last year, when interest was not being paid, and will remain in the mid-20s in 1994-95, the respite will be shortlived. By 1996, debt-service will be absorbing 29 per cent of export and tourism earnings.

Debt-service could be less of a burden if last year's impressive balance of payments performance is repeated. Strong export growth, sluggish imports, as business ran down its inventories, the freeze on interest payments, and the return of flight capital as confidence recovered and residents took advantage of high yields in the treasury-bill market, gave rise to healthy surpluses on current, and especially capital, account.

Provisional central bank estimates put the current account surplus at Ks7.2bn last year, compared with a deficit of Ks3.6bn in 1992. Healthy growth in tourism and service income more than offset the wider trade gap. Capital inflows, conservatively put at over Ks20bn, pushed the overall surplus to Ks27.5bn, with gross reserves up more than Ks45bn at Ks58bn or seven months' import cover. With aid flows down and almost certain to remain so, export growth and private capital investment from abroad are the keys to a healthy balance of payments.

Once import demand starts to recover, as economic growth accelerates and investories are rebuilt, the shilling will come under selling pressure; and, on purchasing power parity and monetary considerations, the recent appreciation of the currency will reverse. Last year's 15 per cent export growth is unlikely to be sustained for long, underlining the need for a new financing strategy, focusing on attracting the private capital necessary for steady growth, from abroad.

Exchange rate stability will remain a mirage unless inflation is tackled. The single-digit target by end-1994 is unrealistic, but the rate could be brought below 20 per cent during 1994 if the necessary combination of political will and improved public sector management can be brought to bear.

Tony Hawkins

The government regards democracy as bothersome, writes **Leslie Crawford**

Punch-ups in political arena

One year into the new multi-party era, politics in Kenya is about punch-ups.

In parliament, at opposition conventions, inside Nairobi city hall, the willingness of elected representatives to come to blows is symptomatic of a broader malaise: the lack of political dialogue in Kenya.

The government, from the president down, makes no secret of the fact it regards democracy as a bothersome foreign imposition with dangerous social repercussions. Its relations with the opposition are non-existent.

"Multi-party elections were forced upon us by the donor community," says John Joseph Kamotho, education minister and secretary-general of the Kenya African National Union (Kanu) party. "Given the choice, we would have proceeded more slowly."

Having ruled since independence, and won the December

The ruling Kenya African National Union has had little cause to change

1992 elections, Kanu has had little cause to change its ways. It has continued to jail critics, deny permits for opposition political rallies, ban independent trade unions and stifle the media as in the days of one-party rule. Kanu makes no distinction between the party and the state. It therefore regards all criticism as a treasonable offence.

Twenty-one parliamentarians – almost a quarter of the opposition force – were jailed during 1993. The arrest and harassment of opposition leaders has intensified during 1994. The time spent in court fighting charges, not to mention time spent in jail, has been a significant drain on the opposition's energy and resources.

Journalists have been detained and charged with sedition or subversion for reporting on matters which the government considers inflammatory. Books and magazines are occasionally banned. At the state universities, lecturers have been on strike for five months to demand the legalisation of their professional union. Mr Kamotho, the education minister, says the union will not be recognised.

"The elections legitimised a regime that does not believe in democracy," says Mr Paul Muite, an opposition member of parliament.

And yet, the election results came as a rude shock to Kanu leaders. President Daniel arap Moi, standing for re-election, mustered only 36 per cent of the vote. Kanu also failed to win a single parliamentary seat in Kikuyu or Luo land – home of two of the country's largest ethnic groups – undermining Kanu's claim to be the only true national party in Kenya.

The election results crystallised what a one-party state could conceal: that President Moi, a member of the Kalenjin clan, leads a government of minority tribes which has deliberately marginalised the larger ethnic groups. President Moi's coalition, in power since 1978, fears the arithmetic of majority rule because it would bring back Kikuyu political domination.

President Moi: leads a government of minority tribes

Happily for President Moi, the opposition is in disarray. Divided by personal rivalries in the run-up to the elections, the defeated opposition has continued to fragment on tribal lines.

The Forum for the Restoration of Democracy (Ford), which campaigned so effectively for the legalisation of opposition parties, split into two camps after failing to agree on a single presidential candidate. The late Jaramogi Oginga Odinga, who died in January, took his Luo community into Ford-Kenya. Kenneth Matiba, a prominent Kikuyu leader, founded Ford-Asili with Martin Shikuku, whose Luhya community forms the country's second largest ethnic group.

Now Mr Matiba is being challenged by Mr Shikuku for the leadership of the Ford-Asili. The two men have exchanged ugly words in public. Their supporters have exchanged blows.

Ford-Kenya was in disarray even before Mr Odinga's death. Several parliamentarians have all but resigned from the party. A third opposition force, the Kikuyu-led Democratic Party, has failed to make any impact in or outside parliament.

Having failed to dislodge President Moi from power, some opposition leaders have lost faith in a political game which they say is stacked against them. Mr Matiba, the runner-up in the presidential contest, has refused to take up his parliamentary seat in protest at an election which he believes was rigged. Mwai Kibaki, the DP leader, appears to be absent in mind and spirit.

With so much political in-fighting, the opposition has failed to make its mark on the two burning issues of post-election Kenya: the corruption scandals linking "political banks" to senior members of the Kanu leadership, and ethnic conflict in the Rift Valley.

A spirited anti-corruption campaign led by Mr Muite of Ford-Kenya fizzled into thin air when his leader, Mr Odinga, admitted to receiving donations from the owner of one of the scandal-tainted banks.

Tribal clashes between the president's Kalenjin tribe and Kikuyu farmers have caused 1,500 deaths and displaced more than 300,000 people since 1991, according to church and human right groups.

Although the turmoil in the Rift Valley pales in comparison to the recent killings in Rwanda, church organisations say the clashes represent Kenya's most serious crisis since independence. They are frightened by the underlying threat of chaos and social disintegration in a country with more than 40 ethnic groups and an acute shortage of farmland.

Three independent reports, including one written by a parliamentary committee when Kenya was still a one-party state, pointed to government complicity or involvement in the violence. Government officials and close associates of President Moi were named as the principal instigators of the Rift Valley clashes.

The government denies any involvement in a conflict which recently began to take the form of ethnic cleansing – the removal of all ethnic groups except the Kalenjin, Maasai, Turkana and Samburu from the Rift Valley.

The clashes have brought church-state relations to an all-time low in Kenya.

"We have buried the victims of tribal clashes. We understand the impact of financial

'The elections legitimised a regime that does not believe in democracy'

scandals on our dwindling incomes. We are with the poor every Sunday, not just for election rallies. How do you expect the church not to take a political stance?" says the Rev Mutava Musyimi, general secretary of the National Council of the Churches of Kenya.

Church groups have also thrown their weight behind opposition calls for a national convention to redraft Kenya's constitution.

For while the advent of a multi-party system has brought the tribal factor into greater relief, Kenya's existing institutions, including an all-powerful presidency, have been unable to accommodate the aspirations of the country's disparate ethnic groups.

"The culture of violence that is taking root has made real the alarming possibility of civil war in Kenya," the human rights group Africa Watch warned late last year.

Perhaps this very real danger might make an intransigent government and a fractious opposition come to their senses.

Aid donors find themselves in an uncomfortable role

The conditions get tougher

Six months after the restoration of fast-disbursing aid, Kenya's donors face an awkward dilemma.

Most are torn between the wish to continue supporting finance minister Musalia Mudavadi's economic reforms and growing alarm at Kenya's deteriorating political environment. A mid-year review of Kenya's overall progress is likely to be as difficult as a Solomonic judgment.

If the assessment leans too heavily on the government's political shortcomings, anti-reformers could have fresh ammunition to undermine Mr Mudavadi and his programme. Kenya's aid partners, however, have come to believe that the harassment and incarceration of opposition politicians, ethnic cleansing in the Rift Valley, and the government's crackdown on the press are not random occurrences, but the actions of a regime which has not shed its authoritarian instincts despite the formal trappings of democracy.

Since November 1991 – when donors suspended about one-quarter of Kenya's aid flows, in protest against official corruption and human rights abuses – the policy linking aid levels to good government has transformed the donor community into the final arbiters of Kenya's political and economic progress. It is an uncomfortable role.

The government of Kenya clearly regards some aid conditions as an infringement of its sovereignty, while opposition parties think foreign aid can and should be used as a lever to extract more political reforms.

It seemed no accident that President Daniel arap Moi legalised opposition parties only days after the suspension of balance-of-payments aid in November 1991. But having failed to dislodge President Moi from power in the 1992 elections, the opposition felt betrayed when donors restored balance-of-payments aid in November 1993.

It was not, however, an unqualified victory for the Kanu government.

Donors pledged $850m for 1994 – significantly below aid levels prevalent before the 1991 freeze – and the money is likely to be disbursed by drip-feed as the list of conditions gets longer. Donors expressed cautious support for Mr Mudavadi's reforms, but said they wanted to see a consistent record before considering more handouts. They also told officials the government should prosecute corruption cases.

"The government clearly expected a bigger trade-off from adopting a multi-party system and toeing the IMF and World Bank line," says one ambassador in Nairobi. "The restoration of aid did little to ease the confrontational mind set between Kenya and its aid partners."

Some donors feel it is time to rethink the relationship. Japan, Kenya's largest bilateral donor, is destined to play a greater role in the shaping of aid policy. Tokyo's international aid charter shares the same goals as western donors – market-based economic reforms, the respect for democracy and human rights, good government – but its approach to reform appears to be infused with the millennial patience of the east.

"We understand the process of co-ordinating political and economic reforms can be difficult and complicated," says Masahiko Horie, first secretary at the Japanese embassy in Nairobi. "There are no absolute yardsticks. We must look at the whole process and support positive trends."

Baroness Chalker: "we want action against corruption"

Japan was the first country to resume fast-disbursing balance-of-payments aid to Kenya last year. It released $77m in October, on the eve of the donor consultative group meeting in Paris. The unilateral action, which melted the donors' two-year aid freeze, sent a strong signal of support to the Kenyan government and effectively set the tone for the Paris discussions. Mr Horie says Japan acted with the knowledge and approval of fellow donors.

It has not, however, been plain sailing for the Kenyan government since then. In February, Britain's Overseas Development Agency cancelled a £12m grant for forestry conservation after failing to receive assurances from the Kenyan government that it would end the illegal allocation of protected forest areas to members of the ruling party and their acolytes.

"What we are looking for," says Baroness Lynda Chalker, Britain's overseas development minister, "is effective action to improve open and accountable government, including dealing with corruption, reducing tribal tensions, strengthening law and order ... and enhancing press freedom. These remain the benchmarks which we shall be employing when we come to review progress."

Britain is not alone in cutting back aid. Denmark, aid partners since Kenya's independence, and the US, have curtailed projects citing increasing co-operation problems with Kenyan authorities. Even the World Bank will only present one new $22m project to its board this year.

Norway, which renewed diplomatic ties in February after a three-year break, has no plans to resume financial assistance. "We have told Kenya that when we need to speak out, we will do so forcefully," says Arman Aardal, the Norwegian ambassador.

Kenya broke off relations with Norway in 1990 over Oslo's criticism of the detention and trial of Koigi wa Wamwere, a prominent dissident. Soon after the reopening of the Norwegian embassy in Nairobi, Mr Wamwere was again being dragged before the courts. The irony has escaped few Kenyans.

Leslie Crawford

Financial profligacy

The latest five-star hotel to open in Nairobi has been seized by the Kenya Central Bank in an attempt to recoup billions of shillings that went astray in the run-up to the December 1992 elections and their aftermath.

Kenyans are only beginning to count the cost of the financial profligacy which linked senior Kanu politicians, Asian businessmen, a group of local banks and the former top management at the central bank.

One confidential report into the complex series of financial transactions estimates the cost to the public purse was Ks30bn ($430m), or about 10 per cent of gross domestic product.

The central bank began to lose its grip on monetary policy when banking licences were liberally awarded in 1992 as a vehicle for financing the re-election campaigns of ruling politicians. The "political banks" engaged in dubious money-spinning ventures, relating to the construction of glamorous buildings in Nairobi and claiming generous government rebates for alleged exports of gold and diamonds.

Emboldened by their early success, some of these banks then obtained more than Ks17bn from the central bank in exchange for a promise to repay the unsecured loan in dollars at a later date. The loan was never repaid. In addition, the central bank is investigating the theft of $117m of foreign exchange bearer bonds from its vaults and the possible forgery of other central bank certificates.

Micah Cheserem, appointed central bank governor last July, is trying to clear up the mess and recover as much public money as possible.

Three commercial banks are under liquidation.

KENYA 4

How is the private sector adjusting to the government's economic reforms? FT writers provide four illustrations

Tough, but Barclays shines

Along with exporters, the financial sector has been the main beneficiary of liberalisation – a development underlined in the sparkling 1993 results reported by Barclays Bank of Kenya. Pre-tax profits more than doubled in the year to December 31 with earnings per share up 88 per cent.

Three main factors account for this impressive performance at a time of stagflation in the economy. Income was boosted by high lending rates – a net interest margin between overdraft and deposit rates, averaging 7.4 per cent (according to official Central Bank of Kenya figures), while lending was up 28 per cent over the year.

More important was the return on money market operations – windfall gains from holding a substantial portfolio of high-yield treasury bills. Retail banks with a large customer base, were able to source funds from current and savings deposits at average rates of 18.5 per cent and 14.75 per cent, reinvesting them in treasury bills at an average rate of 57 per cent between April and December. This did not apply to banks forced to source funds from the inter-bank market, where rates were higher than on treasury bills.

The third factor was the substantial increase in the volume of foreign exchange business, arising from the liberalisation of exchange controls, the requirement for tourist operators to make payments in foreign currency and the scope to exploit profit opportunities in highly volatile market conditions. Barclays targeted firms with foreign currency revenues. There were windfall profits to be made, says Barclays Kenya managing director Bob Bird, "provided you got it right and didn't take undue risks".

Even so, 1993 was a tough year. Most of the participants in the country's 26 banks had never operated with market-driven exchange and interest rates. Barclays got its timing right, bringing in a foreign exchange dealer from London in November 1992 to prepare for liberalisation.

Business volumes – and costs – expanded dramatically as the Central Bank delegated the issue of import licences to the banks. At the same time bank systems were simply not geared to cope with foreign exchange accounting forced on them by the introduction – and subsequent expansion – of retentions accounts. "We anticipated liberalisation," says Mr Bird, "but with the rapid growth in volumes and inward inflows of foreign exchange, we ran up against infrastructural problems. We had to train managers and staff to be more market responsive, while alerting them to the pitfalls of foreign currency exposure."

The nature of bank lending changed, too. The pre-reform period was one of hand-to-mouth reliance on scarce letters of credit (LCs), but as Kenya's short-term credit rating improved and reserves rose to reach four months import cover while customer demand fell, it became far easier to open LCs.

At the same time, the name of the business game had changed. In a controlled system inventory management by importers and manufacturers was based on "just-in-case" principles. With long supply lead times, due to the cumbersome import licensing process and foreign exchange scarcity, management was forced to carry huge inventories. With liberalisation, lead times shortened dramatically and, faced with high borrowing rates and falling domestic demand, business has run down its stocks and its bank borrowing.

One might have expected the roller-coaster business conditions of the past year to result in a fair number of corporate failures, but that has not happened. Mr Bird says there have been "remarkably few" corporate failures and some surprisingly good results, given the difficult business climate. "Nobody from the top 200 seems to be suffering too much, perhaps because a lot of them have switched heavily into exporting."

Barclays' 1993 performance will be a hard act to follow. Money market margins are far slimmer today, and more traditional overdraft lending is a better bet, with the spread between retail deposit and lending rates up to 16 per cent in February, according to Central Bank figures. But demand is relatively weak, and there is the danger of being caught by the reversal in the forex market if – later in the year – the shilling overshoots again, as it did last year, and starts to depreciate.

Micah Cheserem reorganised top management at the central bank

Bob Bird (right) with treasurer Martin Oduor Otieno

Liz Gilbert/Sygma

Bankers say that one of the most important changes of the past year has been the rehabilitation of the Central Bank of Kenya (CBK). Until the appointment of Micah Cheserem, an accountant formerly employed by Unilever, as governor, the central bank, and with it monetary policy and bank supervision, was in disarray. There was little communication between the banks and the CBK, bank supervision was virtually non-existent and the economy was rocked by a series of financial scams, estimated to have cost the country – and the government – tens of millions of dollars.

Mr Cheserem changed all that, revamping CBK's top management, stamping out corruption, strengthening supervision and tightening monetary policy, first by mopping up liquidity through the issue of treasury bills and subsequently by raising the statutory cash ratio of the banks from 8 per cent to 20 per cent of their deposits, thereby squeezing their lending capacity.

Money supply growth of 26 per cent during 1993 is still too high. Although lending to the public sector declined 11 per cent last year and private sector borrowing was flat, money supply grew strongly, fuelled by the inflow of foreign exchange as exports increased and capital flight was reversed by the combination of foreign payments liberalisation and high nominal domestic interest rates. Kenya's net foreign asset position swung from a negative \$100m in April to a plus number of more than \$330m by the year-end.

Despite these gains, the imbalance between a loose fiscal and a restrictive monetary stance means that the banks will remain in the frontline of the battle against inflation over the next year. Getting rid of the T-bill mountain, maintaining positive real interest rates – they are substantially negative at present – and managing foreign currency positions in a year in which the exchange rate overshoot can be expected to reverse itself suggests that 1994 will be another busy, though almost certainly, less spectacular year for the banks.

Tony Hawkins

Brooke Bond's lasting brew

The changes in the Kenyan economy during the past two years have been good news for Brooke Bond Kenya, the Unilever subsidiary which produces tea, coffee and flowers within the country.

"The new financial regime within the government has done a superb job," says Alan Wood, managing director. "I can't think of anything more you could really ask for."

While political systems have come and gone – colonialism giving way to independence, Africanisation, single-party and now multi-party rule – the plantations now controlled by Brooke Bond in Kenya have remained, dating back as far as the 1920s.

Brooke Bond tea plantations date back to the 1920s

Liz Gilbert/Sygma

The company has three tea estates – the largest at Kericho covering 7,000 hectares – and altogether accounts for about 14 per cent of Kenyan tea production. It has a smaller operation – of about 500 hectares – under coffee cultivation.

In addition, in the late 1970s it expanded into horticulture with the acquisition of Sulmac, which produces carnations, roses and other flowers at Lake Naivasha for export primarily to Western Europe. "The European market has been able to absorb almost anything you send," says Mr Wood.

One of the biggest challenges facing the company in Kenya in the past has been inflation, which has been running at above 35 per cent a year. Until recently, the company has also had to cope with the effects of devaluation of the Kenyan shilling. "Devaluation became a significant management challenge," says Mr Wood.

The effects were magnified because – like other exporters – the company had restrictions until recently on the amount of foreign currency it could retain. "Your costs are instant, but there is a delay of some time between production and sale – we have a 33-day target – during which you can incur an exchange gain or loss," he says.

In response to inflation and currency problems, Brooke Bond and other businesses carried stock at what he calls "fairly high levels" with working capital "more than strictly appropriate".

The position has now eased, with companies allowed to retain their foreign earnings, a shift in the coffee auction prices from shillings to dollars, an apparent stabilisation in prices, and recently even a revaluation of the shilling against other currencies.

As a result, the company had to develop treasury and cash management skills not previously required. "We are dealing with a changing environment where we used to have a stable environment over the years," says Mr Wood. "We pay more attention now to where the cash is and how to use it to best advantage."

Other important changes brought by liberalisation that he highlights as significant are the relaxation on distributing dividends, the introduction of market exchange rates, the removing of import licences, and the abolition of price controls on commodities.

He says that Brooke Bond does not plan additional investment in Kenya purely because of liberalisation, but stresses that in no way reflects the company's lack of commitment to the country. "We have been here for 60 years, investing steadily throughout. We have confidence in the tea industry. Liberalisation has reaffirmed our commitment."

He says the company's main restriction has been acquiring new land for expansion. Consequently, its efforts have been focused on boosting yields and productivity through breeding programmes.

Andrew Jack

Bamburi's profits reinforced

Amid the near-continuous and deafening noise of the kilns and grinders, there is suddenly an unusual silence at the Bamburi cement plant. A power cut has halted the heavy machinery.

Periodic failures in the supply are a costly, frustrating and frequent problem for the factory, which consumes the largest single share – up to 5 per cent – of Kenya's electricity generation capacity.

However, Robert Brenneisen, managing director of Bamburi Portland Cement, who joined the company at its creation in 1954, is more optimistic than he was during the previous decade. He welcomes a series of radical economic reforms that have improved its ability to make a profit in the past three years.

The company was formed as a joint venture of Cementia Holding of Switzerland and Amalgamated Roadstone of the UK, which was replaced in 1964 by Blue Circle. The government holds 16 per cent of the equity through the National Social Security Fund, and a further 10 per cent is quoted on the Nairobi stock exchange. It now produces 1.2m tonnes a year, much of which is sold locally, and the rest exported to countries including Mauritius, Reunion, Sri Lanka and the Seychelles.

"We were suffering for many years from price control," says Mr Brenneisen. He points to a six-inch-thick pile of documents on the shelf behind his desk. "All these are submissions to the government to raise prices or remove price control."

Price control was introduced in 1972, and for several years the cap increased in line with rising costs. But by the early 1980s, the rises came too late and too small. "We were subsidising the building industry for years but it nearly crippled the company," says Mr Brenneisen. "We only just survived. It was only possible because we had very tolerant shareholders."

The controls were finally lifted three years ago, and he says the company has since been investing in capital expenditure and paying off its debts to make good the losses of the 1980s.

In comparison, Bamburi's other difficulties are more trivial. Like many others, the company has benefited from the removal of restrictions on holding foreign currency. Since it constructed its own port facility and has staff working full-time on customs clearance, it has had less trouble than many in handling imports and exports. However, Mr Brenneisen still raises concerns over delays until recently in granting import licences and duties.

"As a business we are impatient with the parastatals," he says. "We like to see things done yesterday. They take their business with a far too casual stride. They can't use excuses all the time."

The company has struggled to obtain sufficient rolling stock for internal transport of its cement from Kenya Railways, and has had to ship some cement at greater cost by road. It has also suffered from a lack of fresh water as a result of drought.

Given an abundant supply of low-cost, motivated labour, the company has not seen the need to invest heavily in automated processes. It employs about 870 staff, although a similar capacity plant in Europe could do the same job with about 150. Mr Brenneisen says: "The factory compares very well in performance with any in the world. We feel it is not morally justified to automate."

Andrew Jack

A spanner in AVA's works

Dave Williamson gives short shrift to the "briefcase merchants" of the International Monetary Fund, and other advocates of Kenya's recent switch towards the economic liberalisation which he believes has helped to undermine his company.

"They are quite happy to travel here first class and sit in a five-star hotel in Nairobi where they can get good meals and draught beer without ever seeing the country," he says. "They're totally divorced from what Kenya actually needs."

It is a criticism he also levels at some Kenyan politicians, who he feels have often been reluctant to come and see the effects of their policies and practices on the operations of Associated Vehicle Assemblers (AVA), a part government-owned and entirely Kenyan-based vehicle assembly plant.

Mr Williamson is works director of AVA, based in Mombasa, which assembles up to 40 different types of car and truck on contract. The company was founded in 1977 with shareholdings from the state-controlled Industrial Development Bank, the treasury, Lonrho and Inchcape (which later sold its stake to Marshalls).

Production volume peaked in 1987 with just over 9,000 units assembled. Last year it had slumped to fewer than 1,500, with staff numbers cut from a high of nearly 700 in 1979 to 152. "If we go any lower, we're in serious trouble," he says.

Yet AVA says it is still making a profit. It has done so primarily by cutting staff and maintaining a pay freeze for three years. In the past few months the plant has also been closed for weeks at a time to save costs.

However, the company's combined bill of corporation, pay-as-you-earn, local authority taxes, duty and VAT has in many years equalled or exceeded the recorded level of pre-tax profits.

What Mr Williamson most objects to is the fact that, while AVA produces locally with Kenyan staff and Kenyan investors cars tailored for the local market, what he calls "the disaster" of liberalisation seems primarily to have benefited car importers.

He resents the "privateers" in the informal sector who, he believes, avoid paying any duties or taxes on cars. Some claim imported cars are for personal use, and others that the vehicles are secondhand, making them subject to lower duties. "There are an awful lot of new-looking Mercedes driving around with old number plates on," he says.

"On the day in the budget last year when they changed the duty structure to allow the importation of commercial vehicles, the ro-ro ships started arriving," he says. "There was a dramatic change. The cake was suddenly divided into a million pieces rather than a thousand."

Equally, he says that very few Kenyans have sufficient income to buy cars, while those that can tend to favour anything built overseas to local manufactures. Attempts to export to African countries have proved equally frustrating with reluctance by its neighbours to buy from a direct rival.

AVA encompasses a number of low-technology approaches. It has refused to switch from packing crates to container boxes for parts arriving by sea, for example. He says crates are more flexible, cheaper to freight, and can be simply stored outside at the factory.

To meet the demands of the car manufacturers, AVA has computerised storage of the 40,000 components which arrive each day. "The only other thing computerised is payroll – and I still think we could do that as easily by hand," he says.

Periodic electricity shortages during the afternoon means that the company has now shifted all working hours into the morning and lunchtime to avoid power cuts.

While it takes five times as many staff-hours to assemble a car in Kenya than a western assembler, Mr Williamson is sceptical of the value of automation – particularly when he says he can obtain and train high quality staff to do the work unhurriedly.

Andrew Jack

Parastatal reform in Kenya is a many-headed hydra. It has three distinct dimensions: the technical and financial, the political and the managerial. Each is horrendously challenging.

Reform of public enterprise cannot be achieved without head-on confrontation with the political mafia, for whom the parastatals remain one of a diminishing number of sources of patronage.

Nor can the problem be tackled without getting to grips with the parastatal sectors' endemic financial weakness and heavy indebtedness. Above all, reform requires far-reaching change in terms of corporate culture – finding a new breed of suitably-qualified, experienced and appropriately-rewarded public enterprise managers. Men and women must be appointed for their professionalism, and not because they represent a particular ethnic group or powerful family.

These are tall orders, and it is hardly surprising that parastatal reform is at the eye of the storm, given the impossibility of sustaining structural adjustment without root-and-branch parastatal restructuring.

Kenyan officials agree that little progress has been made in restructuring the 33 "strategic" public enterprises – railways, ports, electricity, water, posts and telecommunications – but the turnround at Kenya Airways and the remarkable transformation of the Central Bank of Kenya, underscore the major contribution to reform achieved by personnel change at the top.

Officials insist, however, that reform is ahead of schedule in liquidating and privatising the 207 "commercially oriented public enterprises with direct or indirect public ownership".

Three years ago, the government published a two-dimension classification of its 240 public enterprises:

	Strategic	Non-strategic
Viable	Retain	Sell
Non-viable	Restructure	Liquidate and retain

Privatisation is ahead of schedule

Confrontation looms

By April 1994, 31 companies had been liquidated, including 27 that were either dormant or insolvent. A further seven had been sold by the receivers, five by competitive bidding and 15 sold under pre-emption rights, allowing other shareholders to increase their equity stakes.

Little progress has been made in restructuring the 33 "strategic" public enterprises

Heightening the public perception that the sell-off is going slowly, only five have been privatised through the Nairobi Stock Exchange: Bamburi Portland Cement (in 1991); partial sales of the government's controlling equity stake in the Housing Finance Company and Uchumi Supermarket (in 1992); and CMC Holdings and East African Oxygen last year.

In total, 63 companies – about 30 per cent of the government's non-strategic portfolio – have been divested, in four cases, partially. Another 33, pushing the number to just under half the total, are being processed, with 15 having reached the point of sale. These include some of the better-known businesses in which the state has a stake that are being sold under pre-emption rights agreements: Carnaud Metal Box, Chloride Exide (UK), Everready Batteries, Associated Battery Manufacturers and Firestone East Africa.

By the end of this year, the government says, it will have sold another 25 parastatals, including Kenya Airways, at least two sugar factories, all cotton board ginneries and the freight-handling services at Nairobi and Mombasa airports. Over half the remaining non-strategics will be sold in two roughly equal tranches in 1995 and 1996.

The policy framework paper, agreed with the IMF last year, commits Kenya to "significant and irreversible public sector reform" – an armslength, transparent owner-management relationship between the government and the management of strategic parastatals.

The government has promised to eliminate indirect subsidies to parastatals (which averaged 5.5 per cent of GDP during the 1989-1992 period) by 1997. Public utilities will be given tariff autonomy, subject to appropriate regulatory controls for monopolies and individual performance contracts must be n place by mid-1995.

A corporate plan has been approved for Kenya Railways, including the sale of peripheral activities, limiting freight services to 23 main-line stations, and staff retrenchment. The posts and telecommunication functions of the Kenya Posts and Telecommunications Corporation are being separated, and a performance contract is due by mid-year.

Given Kenya's record, the temptation to write this programme off as hopelessly ambitious would be overwhelming, but for the success achieved – in remarkably little time – at Kenya Airways. But whether the politicians and other vested interests are willing to allow other parastatals to follow Kenya Airways through rehabilitation and eventual privatisation is problematic, to say the least.

Tony Hawkins

Kenya Airways may be privatised within the next year

Consultants initiate recovery

Eighteen months ago, privatisation of Kenya Airways would have been dismissed as sheer fantasy, but with the airline turning in a profit in the year to March 1994, a sell-off this year or next is on the cards.

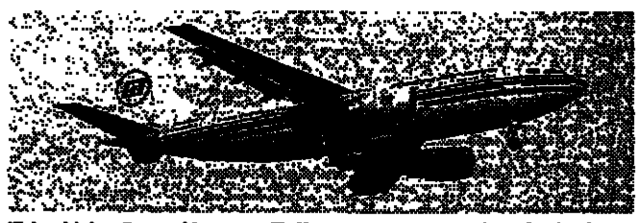
The remarkable turnround at Kenya Airways is reassuring evidence that parastatal reform is not as elusive as most African experience might suggest.

In 1991, the government appointed a new board, charged with commercialising the airline that had accumulated losses to March 1993 of some Ks6.2bn ($110m). Two years ago, the board appointed Speedwing Consultants, the independent consultancy arm of British Airways, to advise how the airline should be commercialised and prepared for privatisation.

Speedwing produced a hard-hitting report which recommended that the airline be run on strictly commercial lines. This would mean eliminating political interference, sweeping management changes, a major overhaul of the commercial division with a new focus on customer service, and tight financial controls.

The report was accepted, and three highly experienced airline executives, who had worked for small, low-cost airlines in the UK, were appointed on three-year contracts as chief executive, and to head the commercial and finance divisions.

The new management team has stuck closely to the consultants' report. In classic turnround mould, top management was restructured, with political appointees being replaced by professionals. Eleven managers were retrenched and about 9 per cent of the workforce allowed, or encouraged, to take early retirement. Conscious of the need to develop a customer-first culture, in the course of a month the entire workforce of some 2 700 people was put through a day-long course, "Putting People First".



Flying high: after making a profit, Kenya Airways is set for privatisation

The new team targeted foreign exchange costs, concluding that it could provide 90 per cent of the required services with just 60 per cent of the existing aircraft capacity. Accordingly, one leased aircraft was returned to the lessors at a saving of some $18m over five years. Other hard-currency costs were pared to the point where, today, the airline's foreign currency earnings exceed forex costs.

Management found it could provide 110 per cent of previous volumes with 60 per cent of aircraft capacity. This was achieved by a combination of volume growth and increased market share – not higher fares in international markets. In the domestic market, devaluation and rapid inflation forced the airline to double fares over the past year; domestic services are now breaking even, while foreign routes are profitable. In the year to March 1994, Kenya Airways exceeded its break-even target, earning a surplus of Ks450m. "We were able to send the minister of finance a cheque for Ks280m, becoming the first parastatal to give money back to the government," says chief executive Brian Davies proudly.

Profitability is not everything; Kenya Airways is also giving customers a far better service. Management set a target of 80 per cent of departures leaving within 15 minutes of schedule, achieving an average of 75 per cent in 1993-4, compared with less than half previously. "Indeed," says Mr Davies, "some weren't departing at all!" A recent travel survey named the airline as runner-up (with BA) to South African Airways as the best carrier to Africa.

With the airline in the black, the next step is privatisation. Mr Davies says this could be done by the end of 1994, in line with the programme agreed with the IMF and the World Bank. For this to happen, the government will need to clear up the balance sheet by writing off over Ks4.5bn of debt.

While no firm plans have been settled yet, the likelihood is that the government will hold on to a significant minority stake, drawing a major European airline into a coalition, also with a sizeable minority holding.

The rest of the equity could be placed among Kenyan institutions; the airline staff, through an employee share ownership scheme; and a share issue on the Nairobi Stock Exchange. That would ensure that well over half the equity was held in Kenya.

Tony Hawkins

Industry has been forced to look to export markets for growth

Living with low consumption

Manufacturing industry, emerging from three difficult years of sluggish growth and escalating inflation, is restructuring to face the challenge of increased foreign and domestic competition.

Kenyan industry has traditionally played second fiddle to agriculture in terms of employment and contribution to GDP, and been in third place behind tourism in foreign exchange earnings.

Manufacturing accounts for more than 13 per cent of GDP – about half that of agriculture – and 13 per cent of wage employment, compared with agriculture's 19 per cent. In 1991, its foreign earnings were estimated at $250m, way below agriculture's $620m and easily outstripped by tourism's $440m.

The sector is dominated by food-processing, beverages and tobacco, which between them account for 40 per cent of value-added. Drought and weak agricultural performance impacts directly on manufacturing in two main ways – reduced volumes for processing, and depressed rural demand for locally manufactured consumer goods.

With sliding domestic living standards, mounting unemployment and depressed levels of investment, industry has been forced to look to export markets for growth opportunities. In 1992, manufactured exports accounted for less than 20 per cent of the total, but preliminary central bank numbers for last year suggest an increase to over 25 per cent.

In 1991, more than 90 per cent of Kenya's imports were raw materials, intermediate goods and capital equipment. Almost 40 per cent of imports were industrial supplies, underlining the extent to which industry was vulnerable to import curbs. While liberalisation and devaluation have made these more costly, access to inputs has improved dramatically. As a result, production scheduling and inventory management are more efficient.

Industrialists have two main complaints: infrastructural deterioration, and the absence of a level playing-field. The latter is chiefly a reference to corruption at customs – the evasion of tariffs and VAT by importers, who are able to bring in and market finished goods at prices well below those of Kenyan manufacturers who pay duty in the normal way.

Industry has been forced to look to export markets for growth opportunities

Government hopes that the introduction of pre-shipment requirements for imports will close this loophole. The Kenya Association of Manufacturers (KAM) is also seeking a 25 per cent to 30 per cent duty differential between raw materials and imported finished products.

In a recent paper on the problems that deter investment in manufacturing, the KAM pinpoints infrastructural inadequacy. It wants the management of Kenya Railways – like the airline – to be entrusted to "management experts" in the short term, followed by privatisation. The same formula is advocated for the ports.

A third cause for complaint is the legislation precluding manufacturers from owning and operating their own distribution networks. Bata, the multinational shoe manufacturer, says it could bring down costs and prices in the Kenyan market if it were allowed to operate its own retail network. Bata is less critical of the infrastructure than other industrialists.

"We've not had to stop working because of power cuts," says the managing director, Mr A.Fernandez, though he agrees that the roads are poor and that it's often easier to make an international telephone call than to get a Nairobi number.

Other industrialists speak in similar vein. As market growth has slowed, so companies are finding new, more cost-effective, ways of reaching customers. Output growth, which averaged 5.5 per cent annually in the late 1980s, fell below 2 per cent in the 1991-93 period, forcing industry to re-engineer its domestic market strategy as well as to seek export outlets.

To succeed in a low-consumption economy, says another manufacturer, is not to downgrade technology, but to make it more functional "so that we can deliver what people want at a lower price".

Some, such as Glaxco, investing £4m in a plant to manufacture its ulcer drug Zantac for the African market, also see Kenya as a favourable location for new investment, infrastructural deficiencies and political imponderables notwithstanding.

Interestingly, there is little enthusiasm among established industrialists for export-processing zones. "They are only a gimmick," says one, adding: "If you have a level playing-field and reasonable taxes, as we do here (profits are taxed at 35 per cent), free zones don't add any value."

There is still much to be done to create the necessary enabling investment climate. A recent World Bank report notes that a company needs an average of 15 licences a year, the processing of which costs an average of 233 man-hours annually. Large businesses need 49 licences at a processing cost of over 800 man-hours.

Tony Hawkins

Tea and coffee are crucial elements of the economy

Brewing up new ways to boost production

Full of beans: world coffee prices are beginning to recover

Liz Gilbert/Sygma

Evian Muriu, group manager for the central tea and coffee group of Brooke Bond Kenya, points proudly to a series of small rectangular pits recently dug in the ground between rows of tea bushes in a plantation in central Kenya.

The staggered holes are a simple method that could have a powerful effect in preventing soil erosion. Their creation is one of a number of recent measures designed to boost productivity at the Mabroukie tea estate, and on other plots controlled by many different farmers around the country.

It is a reminder of the importance placed by growers on investment in tea, at a time when the drought of the past few months has threatened a sharp drop in productivity for one of Kenya's main generators of foreign exchange.

Last year, tea sales to other countries earned an estimated Ks18.6bn, or 28 per cent of all exports.

It was second only to tourism at Ks21.3bn as a source of foreign exchange, and contributed an estimated 10 per cent of the world's crop.

In a measure of the traditional significance of tea and coffee to the Kenyan economy, a national law forbids farmers to pull up any bushes of either crop to convert land to other uses. The most recent National Development Plan – while calling for self-sufficiency in food – continues to urge the maintenance of the cultivation of export crops such as tea.

Companies such as Brooke Bond stress their continued commitment to tea, and point to a new breeding programme for "the golden clone" of high-yielding varieties. They say their main restriction is lack of access to new land to plant for additional tea crops.

More challenging is boosting productivity in some of the smaller farms, which account for about 55 per cent of the crop spread between some 200,000 producers. According to a recent report by the US agricultural attaché in Kenya, an increase in monthly advance payments and elimination of a 5 per cent presumptive tax on growers have helped boost incomes, while a remaining problem is inadequate processing capacity during peak periods.

Productivity – achieved through a combination of rising yields and growing land under cultivation – has continued to rise consistently in the past few years, increasing almost uninterrupted from 56.7m kilos in 1975 to 211.2m kilos last year. In 1994, month-on-month figures have been down sharply on last year following drought, although rain in the past few weeks has begun to restore confidence.

Liberalisation has brought substantial changes to the sector. There are now no price controls on tea, factories can market their output without government involvement, and exporters can hold on to earned foreign exchange. At least half of all production must still be sold by auction, which has converted from shilling to dollar sales.

One challenge for Kenyan tea is to diversify its markets – something that marketing efforts have failed to achieve. About 60 per cent of tea consumed in the UK is Kenyan, and represented last year more than 39 per cent of all foreign sales. A further 26 per cent went to Pakistan and 15 per cent to Egypt, with little spread of market share in the past few years. Foreign sales have not grown as fast as increased production.

While tea remains highly lucrative, coffee has until recently undergone a substantial slump which has forced many growers away from the crop – if necessary simply neglecting their bushes if they do not want to risk pulling them up. Coffee output in 1992-93 dropped to 73,000 tonnes from 90,000 tonnes a year earlier.

Once it was a mainstay of the economy responsible for a boom in the country, reflecting the high quality, premium-priced arabica beans it produces. Then world prices collapsed. Last year it accounted for just Ks11m or 16 per cent of exports.

Some observers are optimistic that things are now beginning to recover. Export earnings can now be retained in dollars, and producers can receive proceeds of the sales of their own crop rather than simply taking their proportion from pooled sales organised by the Coffee Board.

At least equally important, world coffee prices are beginning to recover. But it will take several seasons before a consistently improved price will be reflected in higher yields.

Andrew Jack

Horticulture is a vital source of foreign exchange

A garden of plenty

"I doubt whether most people who buy carnations realise where they come from," says Richard Fairburn, indicating with a wave of his hand an expanse of greening stalks growing under the hot sun.

Nor probably do many buying green beans and Brussels sprouts from the shelves of Marks & Spencer in the UK know that the single largest business supplying fresh produce is based just a little further up the same road.

Yet the area around Lake Naivasha, in central Kenya, has been turned into one of the largest areas of privately-owned floriculture and horticulture in the world – and a vital source of foreign exchange for the country. It claims to have, for example, more roses under cultivation than in the entire UK.

Floriculture – a world market worth an estimated £16bn last year – has traditionally been dominated by the Dutch. Dutch companies were among those that began growing flowers outside Europe to meet fast-expanding demand in the 1970s; and one of these, Oserian, is now among the largest Kenyan-based suppliers.

Mr Fairburn is director of cut flowers for Sulmac, the other large Kenyan producer, which was bought by Brooke Bond, itself now ironically owned by a partly Dutch company, Unilever. He highlights a number of benefits of growing flowers in Kenya.

Of primary importance is the climate. Year-round high temperatures mean that supplies are available outside the European growing season. Of course, it can also produce during the European summer – and Sulmac is already cultivating flowers for eight months each year.

Growing in Kenya also offers low capital and labour costs, access to freight (which is full southbound and needs cargo for the return journeys northward into Europe), a relatively stable political environment and no export tariffs.

On the other hand, Mr Fairburn points out that international communication can be difficult, pests and diseases haunt the tropical climate, the infrastructure is poor, imports are costly, there is no local research and development facility, and the image of Kenyan produce is variable.

Perhaps the most important hindrance is freight rates. Given the need to rush flowers and vegetables to market, they must be air-freighted, which accounts for half or more of total production costs.

George Roy, finance director of Homegrown, which produces and prepares both flowers and vegetables for UK supermarkets such as Marks & Spencer, says that the government reduced aviation tax in response to concerns from growers, but that the airline companies have yet to respond by lowering rates.

In spite of the climate, cultivation is still not easy. Flowers require water every day, and Kenya's supplies are erratic.

The heat creates other problems. Homegrown has introduced pink-tinted greenhouses – to keep out the sun and reduce the risk of colours fading.

The heat also means that the flowers must be scrupulously protected once picked. The cuttings have to be quickly chilled and kept in insulated containers.

A number of smaller suppliers, relying on shipping to move their produce, have run into difficulties, seeing their flowers rot on the quayside in Mombasa, or have been unable to negotiate cold storage and rapid freighting.

Many of the same issues apply to the production of vegetables in the region. Homegrown is developing links with a number of the UK supermarkets. However, demand is much more specialised than for flowers. "British consumers like their vegetables pre-prepared," says Mr Roy, contrasting the position with those elsewhere in Europe, such as the French, who prepare vegetables in their raw state.

Equally, Alan Wood, managing director of Brooke Bond Kenya, warns that, while a few years ago horticulture and floriculture were proving highly profitable, growing competition is now making the field far tougher for both new and existing growers.

Andrew Jack

Bad weather and low prices have hit agricultural production

Self-sufficiency a remote goal

Although agricultural production is expected to be a key beneficiary of the government's market-based reforms, Kenya is unlikely to recover self-sufficiency in food production in the near future.

The population explosion and the scarcity of arable land mean that agricultural expansion will have to come from increases in productivity.

Many believe it was the dismal performance of agriculture – mainstay of the economy and only source of livelihood for 20m people (80 per cent of the population) – that finally persuaded the government to implement reforms.

Agricultural production contracted by more than 6 per cent between 1991 and 1993, the worst decline since independence. Unfavourable weather and low world prices for coffee, a significant export commodity, were partly to blame; but so, too, were policies which subsidised urban consumers at the expense of farmers, and the inefficiency and corruption within the state marketing monopolies for staple crops.

When change came, it was sudden and dramatic. Until October 1993, it was illegal for private traders to import maize into Kenya; until December it was illegal to move it around the country. Both are now actively encouraged. Price controls on maize were lifted at the end of 1993, raising the cost of this foodstuff by 40 per cent in Nairobi.

Contrary to government fears, there were no food riots. But economic hardship is severe, and is limiting what Kenyans can afford to eat. In the countryside, the US Agency for International Development believes most rural families are surviving on a diet of maize, tea, cabbage and potatoes or cassava. Sugar has become scarce, and when available is scarcely affordable. For city dwellers, maize flour now accounts for 70 per cent of the daily caloric intake. Bread has become a luxury, while most families are struggling to maintain their consumption levels of vegetable oil, milk and sugar.

Many believe it was the dismal performance of agriculture that prompted reforms

The National Cereals and Produce Board, the former grain marketing monopoly, has begun to privatise some of its warehouses. Eventually, its role will be confined to maintaining strategic grain reserves and acting as a buyer and seller of last resort. But it will remain active in the import and marketing of grain, while the private sector finds its feet in the newly liberalised environment.

The price and marketing reforms were all the more remarkable, in that they were implemented during Kenya's worst drought of the past 10 years. In the heavily populated Eastern Province, the failure of the December rains wiped out half the maize crop. Maasai herdsmen in the Great Rift Valley have lost more than 275,000 head of cattle. The government says 5m people – one-fifth of the population – are in need of emergency food handouts.

About 1.7m tonnes, or just over half the national maize consumption, will have to be met by a combination of commercial imports, government purchases and food donations. And although the rains returned in April, meteorologists say it is too early to assess their impact on the September harvest.

Other factors have depressed agricultural production. Ethnic clashes have forced an estimated 300,000 people of the mainly Kikuyu farming community to abandon their homesteads in the Rift Valley, according to church organisations. Human rights groups have blamed government politicians for instigating the conflict between Maasai and Kalenjin herdsmen and the Kikuyu. The repercussions of the conflict go well beyond a decline in agricultural output. Many Kenyans fear the countryside could slide into civil war unless the government undertakes greater efforts to restore peace.

Agriculturalists are also concerned about the marked decline in the use of fertilisers since prices were liberalised in 1992. The government is considering the reintroduction of subsidies for fertilisers and agricultural credit to reverse this worrying trend. The distribution of sub-standard planting seed by the state-owned Kenya Seed Company – another parastatal plagued by mismanagement and corruption – has also lowered productivity.

All these factors are making self-sufficiency in food production an ever distant goal. The government estimates that maize production would have to rise by 4 per cent a year to eliminate the need for imports by the turn of the century. Only significant improvements in yields could achieve this growth, as Kenya's marginal agricultural land offers only limited potential.

At the same time, the need to import increasing quantities of maize, wheat, rice, sugar and vegetable oil to feed a rapidly expanding population has eroded Kenya's agricultural trade surplus. The positive trade balance fell from nearly $500m in 1990 to $288m in 1992, and is estimated to have fallen further in 1993.

Leslie Crawford

Conservation is about people as well as wildlife

A fresh start after the storm

To many observers, Richard Leakey's stormy departure from the Kenya Wildlife Service revealed the sinister side of Kenyan politics.

His success in saving Kenya's wildlife from the clutches of ivory poachers, and his fund-raising efforts abroad, put Leakey on a collision course with those in government who envied his independence and coveted the aid dollars flowing into KWS conservation projects.

Before Mr Leakey's appointment in 1989, Kenya's wildlife was being decimated by gangs of armed brigands who roamed the country with impunity. Three-quarters of the elephant population and almost the entire rhino herd had been slaughtered. Attacks on tourists were on the rise.

Mr Leakey began the new regime at KWS by sacking 1,640 staff suspected of corruption. He re-introduced a shoot-to-kill policy against game poachers, and campaigned for an international ban on the ivory trade. He believed Kenya's wildlife, which underpins a $350m-a-year tourist industry, could be managed in a profitable and sustainable manner. Donors, including the World Bank and Britain's Overseas Development Agency, backed his plans by pledging $300m for KWS projects over 10 years.

To foreign donors, Mr Leakey represented the new face of public service. He was a man who had taken over a corrupt and dispirited government department and transformed it into a dynamic parastatal, with the freedom to cut through red tape and resist political meddling.

Suddenly, in January, he came under attack for arrogance, racism and corruption. He was told he faced a secret government probe into the workings of KWS. Neither President Moi nor the KWS board of trustees rallied to his defence as senior government figures, led by William ole Ntimama, the minister for local government, called for his resignation.

Mr Leakey believes the smear campaign was orchestrated by "land-grabbing" politicians, whom the KWS had frustrated in their attempts to appropriate vast chunks of Kenya's wildlife sanctuaries to develop hotel resorts or mining concessions.

He left the director's post in January, was recalled by the president in March, and resigned again barely two weeks later, saying the government had placed impossible restrictions on his job.

Mr Leakey's acrymonious departure dismayed conservationists in Kenya and abroad. It also raised alarm bells in the donor community, who began to fear their conservation grants might fall prey to political predators.

The government appears to have acknowledged their concern, for instead of naming a politician to head KWS, it appointed another white Kenyan with solid credentials in the field of conservation.

David Western has a tough act to follow.

He must persuade the donor community that their conservation funds are in safe hands. He must avoid charges of empire-building while being in control of an area the size of Northern Ireland. And he must maintain the trust of government to be allowed to command an irregular army of game wardens, reconnaissance vehicles and surveillance aircraft.

He is also aware of the political machinations which hounded his predecessor from office, and says land-grabbing politicians will have no better luck with him.

Significantly, Mr Western obtained the reversal of two presidential directives which caused Mr Leakey to resign: the armed Wildlife Protection Unit will no longer be placed under the authority of the commissioner of police; and KWS will regain its financial autonomy from the Tourism and Wildlife Ministry.

David Western: has a tough act to follow

Mr Western, however, believes that, under Mr Leakey's stewardship, KWS had laid itself open to charges that it was more concerned about animals than people.

An acute shortage of arable and grazing land, coupled with Kenya's rapid population growth, have brought communities to the borders of wildlife sanctuaries. Elephants trample crops. People are maimed, sometimes killed, by predators. A ban on culling means that wild animals and farming communities live in increasingly uneasy coexistence.

"There was a lack of sensitivity to how critical the issue had become," Mr Western says. He intends to redress the issue by focusing on the "people side" of conservation.

He wants to promote landowners' associations, and encourage them to present their proposals for community-based conservation projects. He believes certain policies, such as the introduction of culling or hunting licenses, might be less controversial if they came from local communities.

But the bottom line is money. Local communities, and local politicians in particular, feel they are not getting their fair share of wildlife revenues. For Mr Western, juggling the competing financial demands of wildlife and people will be the toughest act of all.

Leslie Crawford

Andrew Jack on the delights and frustrations of a tourist

Enjoying the high life

Travelling overnight by train from Mombasa to Nairobi, dining at dusk, sleeping in a first-class cabin and waking to breakfast as the central plateau bush rolled past seemed like an elegant way to travel.

Doing so at the peak of the rainy season was the problem. Just a few miles outside Mombasa, through both sittings for dinner, the train sat for more than four hours. There was no air-conditioning or lighting. There was no explanation from staff either, simply a casual shrug as they prepared for a long delay.

No doubt due in part to the presence of three politicians, the district controller from Mombasa arrived by car a little before midnight to see what was happening, while the guard had a chance to blame the British for their railway tracks, which he said caused the delay because they were sinking as a result of the rain.

It was the sort of small, quirky incident, endearing after the event, that a visitor to Kenya might come across during a holiday. And certainly there are many visitors now coming: more than 650,000 in 1992, and accounting for an estimated Ks21bn in revenues last year or nearly one third of all export earnings.

Fears over political turmoil, machinations at the Kenya Wildlife Service following the resignation of Richard Leakey, and reports of violence against tourists – including a number of murders such as that of the British nurse Julie Ward – may all have contributed to declining numbers from a peak in 1990 of nearly 900,000.

But the government has responded with tougher security measures in the national parks. The appreciation of the Kenyan shilling in the past few months at a time of relative economic stability may now seem to be as great a threat to renewed expansion in the number of visitors.

A tempting option for the more adventurous visitor is to climb Mount Kenya, complete with porters, cooks and guides (a mandatory requirement for entry to the park). Past the grazing buffalo and elephants, through the sticky delights of the "vertical bog" before the scramble through rock and snow begins, most rise early to avoid afternoon rains and stagger the trip over three or more days in mountain huts to alleviate the effects of altitude sickness.

The final ascent of Point Lenana, the highest feasible trek without serious climbing equipment, at nearly 5,000 metres, typically begins by moonlight at 2am or 3am, to allow for arrival at the peak for sunrise.

In spite of the difficulties, a remarkable number of trekkers make the attempt often inappropriately dressed in loafers, while their guides gallop up in Wellington boots carrying only conventional umbrellas for rain gear.

For an extra frisson of fear, do the trip to Mount Kenya by "matatu" or shared taxi by night, experiencing local driving at its most lights one cigarette after another in a petrol-reeking car while overtaking and tail-gating traffic without lights.

The lion's share: herds of tourists trek across the game reserves in four-wheel drive vehicles

These experiences are a far cry for those who seek simpler forms of relaxation. To them, Kenya means little more than the beaches running north and south from Mombasa, with hotels offering packages at prices more attractive than in many other resorts around the world.

At the more expensive end of the market are niche hotels such as Hemingways, named after the novelist, which specialises in offering deep-sea fishing trips, or the equally luxurious Lonrho-owned Mount Kenya Safari Club.

For the urbanite, Nairobi offers a large range of cosmopolitan cuisines including French, Thai and Mongolian, as well as the more indigenous grilled zebra and wildebeest.

For those tempted to sample a more distinctly African experience, there are safaris in abundance. Herds of tourists in four-wheel drive vehicles now trek across the country's game reserves each year in search of wallowing hippos, hunting cheetahs and mating lions.

At one extreme, visitors can arrange their own safaris or join organised groups to drive around and camp in the country's parks. At the other end of the scale, they can stay in high-priced "tented camps" where they sleep under canvas.

Export processing zones: have the benefits faded?

Further sites are planned

When it comes to enthusiasm for a government programme, Silas Ita is hard to beat. The chief executive of Kenya's export processing zones (EPZs) authority enthuses about their likely success. "We have had more than 300 inquiries," he says.

EPZs were created by law in 1990. The aim was to offer companies ready-to-occupy units, with all necessary infrastructure and a series of incentives, such as exemption for 10 years from income tax, value added tax, import duties and withholding taxes on dividends.

Other benefits included: no exchange controls, on-site customs clearance, unrestricted employment of foreigners in senior and skilled positions, and no restrictions on management or technical procedures or the level of foreign investment.

Sameer Industrial Park, the first EPZ to open, is privately owned by Firestone East Africa. Clyde Tabor, managing director, says 12 companies have leased nearly all the space on the 45-acre site, and that he expects to cover all costs within 10 years. "It's been a good investment."

Firestone had decided to develop an industrial park in Nairobi beside its existing site, and took advantage of EPZ designation once the legislation was mooted. Sameer provides security and maintenance services, for which it charges $3.20 a square foot annually.

Mr Tabor highlights one of the principal benefits for companies locating in Kenya as the quality and cost of the labour force; and the biggest problem as the infrastructure.

A further five private EPZ sites have been planned, while a significant investment in the country has come from Thomas de la Rue, the security printer, which has been granted the status for a factory on the outskirts of Nairobi.

Two large government EPZs are also under way with support from the World Bank and the African Development Bank: the Athi River Zone, near Nairobi's international airport, which opens this year; and the Mombasa EPZ, in two phases, construction of which is expected to begin this year.

A number of business executives, who preferred not to be named, are rather more sceptical of the attractions of the government's EPZ sites and how rapidly or completely they will be filled. Some of the initial benefits have faded as liberalisation has reduced the advantages over operation in the rest of the country. One of them questioned whether the rents charged would be sufficient, or the level of services adequate.

Another, from a company long established in the country, said: "We looked at the idea of moving into one of the zones, but we found we would just be substituting high customs duties for high rents."

Mr Ita is frank about some of the shortcomings. "We are still moving slowly on how we interface with other organisations," he says. He highlights goods to or from EPZs being delayed at customs, which should not be handling them. He says there are problems with VAT being charged on telephone calls and electricity bills, in spite of the exemption.

Looking forward, he says he wants to see the government's EPZs privatised, though this may fall short of a full sale and amount rather to handing over management, or possibly a lease on the sites, to the private sector.

The aim of EPZs was to offer companies ready-to-occupy units, with all necessary infrastructure and a series of incentives

He says there are no plans by the government to develop additional EPZs, but that it is considering turning Mombasa into a free port, to compete with other centres, such as Rotterdam and Dubai, as "bulk-breaking" centres for repackages large consignments for re-export.

Andrew Jack

Why De La Rue located in Africa

Noteworthy decision

The decision by Thomas De La Rue, the security printing company, to open a significant operation in Kenya was the culmination of a liaison with Africa dating back more than 130 years.

The British-based company's first bank-note printing order was in 1860, from Mauritius. In 1988, it finally resolved to shift production into a continent that has long provided it with substantial business.

Six years later, the first batch of 10m bank notes has just been despatched to the Central Bank of Kenya from the gleaming new marble-and-steel building on the outskirts of Nairobi. A second batch is under way, and notes for another East African country are also being printed.

But why did the company decide to locate in Africa, and in Kenya, with a site on which it has spent £10m – an investment it expects to recover within the next four years?

David Chapplow, general manager, says that growing world demand for the company's note-printing abilities from its factory in Gateshead, in the north-east of England, forced it to open a second plant in Malta in 1974. It gradually moved towards decentralised printing, opening other sites in Singapore, Hong Kong and Sri Lanka. "We realised in the mid-1980s that our printing seemed to moving to the Far East, but we had a major customer base in up to 40 African countries," he says. "We wanted to make a significant investment to strengthen our commitment to our African customers."

In 1988, the company resolved to shift production into a continent that has long provided it with substantial business

Political stability, economic growth, geographical location and an educated English-speaking working force were among the temptations that drew the company to Kenya. "It had been quite a success story since independence," Mr Chapplow says.

In addition, the company then heard that Kenya was planning to develop export-processing zones, and applied for permission to obtain one, granting it access to a deferral on taxes and a series of other benefits.

Mr Chapplow has no qualms about the results. "I've got to say that the nature of our product is recognised as of sufficient importance that the government recognises we require some special attention," he says. "Delays have been kept to a minimum, and we've been very impressed by the co-operation we've received."

He is sensitive to concerns that other African countries may be reluctant to buy from a company based in Kenya. "Once people know we're here to stay, we hope there would be an African continent pride in having a De La Rue factory here. We hope to use it as a showplace for Africa."

The company's building has been designed to expand easily by 30 per cent, and to have room in the existing space to house a second set of printing machinery. It already has the capacity to print 1m illion bank notes a day, and employs about 100 Kenyan staff.

Andrew Jack

A report predicts a huge increase in deaths from Aids

Disease strikes at the heart of business

It may not yet be as severe as in some of its neighbouring African states, but one of the most dangerous threats to economic growth and social stability in Kenya is Aids.

To the casual visitor, evidence of acquired immune deficiency syndrome is limited – a TV advertisement warning, "Say no to unwanted sexual advances; say no to Aids"; a poster with a prostitute tempting a well-dressed Kenyan, her face a grinning skull offering the prospect of death.

To the policy-makers, the concern runs far deeper. A recent report prepared by the National Aids Control Programme of Kenya suggests that one in every 18 adults aged over 15 is HIV-positive. In urban areas, the proportion is twice as high at 10 to 11 per cent, or 220,000 people.

It estimates that more than 130,000 Kenyans have developed Aids, and that two years ago about 730,000 people were carrying the human immunodeficiency virus that causes the disease – most of whom are expected to develop Aids and die within the next 10 years. This includes 30,000 children.

The report projects that, by 2005, there could be 1.9m HIV-positive Kenyans, and that the cumulative number of Aids deaths would increase from 100,000 today to over 2m in the same period.

A vicious corollary of Aids, not seen elsewhere in the world, is that the deaths caused by the disease may often be the result not of esoteric ailments but of common and highly infectious tropical killers such as tuberculosis. This not only conceals the fact that Aids may be the root cause, but also risks engendering a national TB epidemic among those not infected by the disease as well as those who are.

Equally, some researchers believe that the relatively high incidence of other sexually transmitted diseases such as gonorrhea and syphilis within Kenya may boost HIV-infection rates by between 10 and 100 times.

One problem is that many who are HIV-positive do not know they are infected, since it can take several years before any signs develop. In the meantime, they may continue to transmit the virus to others.

There is certainly some stigma to the discussion of homosexually-transmitted Aids in Africa. However, it appears that in Kenya most transmission comes through heterosexual contact, particularly in groups where the social structure has broken down: it spreads along trucking routes, in war zones and among rural migrants to cities. More controversially, some academic researchers believe there is a higher incidence of infection among uncircumcised men – a growing group representing about 20 per cent of the population.

> A recent report suggests that one in every 18 adults aged over 15 is HIV-positive

A smaller proportion may come through blood transfusion where screening systems and equipment break down, although the government insists that most blood is now screened for HIV.

More worryingly, many children are becoming infected from their mothers – either during pregnancy or through breast-feeding. Up to half of the children of infected mothers in Kenya are estimated to be infected.

Those children who are not infected do not escape the effects of the disease: many will become so-called Aids orphans, being left without parents by the time they are 15. Official estimates suggest there will be 600,000 such orphans by 2000 and almost 1m by 2005. This will place additional burdens on extended families, boost demand for support services and trigger unstable social structures.

Aids is beginning to have a fundamental impact on the economy more generally. Three-quarters of cases affect the most economically productive group within the population: adults aged 20-45. Companies may be threatened with survival, and agricultural systems disrupted.

A study by US researchers two years ago suggested that the average cost of hospital care for an Aids patient was Ks27,200, and the average length of time in hospital far more than for other ailments at 60 days. Aids patients were estimated to be occupying up to 15 per cent of all hospital beds in the country.

At current growth rates, this suggests total hospital costs on Aids Ks3.7bn by the year 2000, and Ks4.8bn by 2005 – up to half of public expenditure on all health care, and about half of all hospital beds, in a threat to provision of services to the rest of the population. Separately, a 1992 World Bank study on AIDS in sub-Saharan Africa suggested that if Aids affects the better-paid, better-educated economic elite, and consumes medical and funeral costs from savings, investment and economic growth will suffer.

As to the future, the government says it estimates "conservatively" that adult HIV prevalence will stabilise at about 9 per cent by 2000. Some practitioners remain rather more pessimistic. Dr Francis Plummer, a visiting lecturer at the University of Nairobi over many years, says: "There is no evidence that infection rates are slowing. There is still exponential growth."

He says that surveys within Kenya suggest that education has been remarkably effective, with a high degree of knowledge of Aids. But this has not been translated into changes in sexual behaviour, except in some limited groups such as prostitutes.

Andrew Jack

Asians have a powerful grip on many sectors of the economy, writes **Andrew Jack**

'The filling in the sandwich'

What could sum up better the powerful intermingling of Asian and African cultures on the east coast of Africa than a restaurant in Mombasa called the Swahili Curry Bowl?

Long-standing residents, economically indispensable but regarded with suspicion and sometimes hostility, Kenya might best be seen for the Asians – to borrow an American phrase – as less of a melting pot and more of a salad bowl.

Some observers talk about Asians as "the filling in the sandwich", conveniently providing a political buffer to prevent greater economic domination of the country by the Kikuyu, Kenya's largest tribe.

It does not take long to see the influence of the group. The ubiquitous black African faces in many organisations belie ultimate control by an Asian or white. Asians have a powerful grip on many sectors of the economy, notably in leisure and tourism, finance, construction and general commerce.

The economic strength of the community is far out of proportion to their numbers. At the latest census Asians accounted for an estimated 59,000 out of a total population of more than 26m: the largest single ethnic group but far smaller than the black majority.

Yet take an internal flight, eat in a higher-priced restaurant or stay in a comfortable hotel within Kenya, and the proportion of Asian faces rises substantially above these levels.

Given the proximity to the Indian sub-continent, the east coast of Africa was a logical entrepôt over many centuries for Asians – who are often referred to as "Indians" by black Africans regardless of their country of origin.

Many of the ancestors of today's settlers came from the states of Gujerat and Punjab, and arrived in Kenya as indentured construction workers to help build the railways in the country in the late 19th century for its British colonisers. Others came to settle with the encouragement of the authorities after the second world war.

They tend to live in relatively closed communities. There is little social mixing with other Kenyans and they rarely intermarry. "It would not work," says one Sikh with an arranged Indian marriage whose father came to the country from Punjab in the 1940s. "We are from different religions, cultures, and backgrounds."

Many have shied away from politics, and often sought support from within their extended family and religious networks for financial backing rather than turning to the banks. "All the banks want is interest and charges," says one Indian businessman.

As a result they are far more closely associated with business than any other aspect of Kenyan society. "They have set the moral tone for the government," says one black Kenyan.

The stereotypes can be overplayed. Yet the Asian community has certainly often proved the scapegoat at times of political crisis within Kenya. While escaping the severe persecution and mass flight that took place under Idi Amin in neighbouring Uganda during the 1970s, many remember tense periods.

Asians point to the "Africanisation" taking place at that time, when Asians – particularly those without Kenyan passports – found it difficult to obtain licences and permits to trade. There was harassment of individuals, confiscation of property and Asian-controlled businesses were taken over.

More significantly, they recall 1982, the time of the attempted coup, when there were reports of riots, looting of shops and rapes. It was this perception – as much as any real risk – that caused many families to send their women to relatives in Tanzania and elsewhere during the elections in 1992.

"We keep ourselves separate," says an Indian Muslim. "The Africans are a very different people. They have the intelligence but don't like taking the responsibility."

Andrew Jack on the informal economy

Invisible energy from 'the hot sun'

Mwangi drives his battered green Peugeot between Nyeri and Nairobi four times a day, squeezing in eight passengers – plus additional children wrapped around the gear lever – at Ks200-250 each in his high-speed "matatu" or shared taxi.

He pays a commission of about Ks100 a trip to the office, which provides his customers, insurance of Ks24,000 a year and a road licence fee. He hopes in a few years to have saved enough to open a butcher's or a car repair shop. He also pays no tax.

Mwangi is one of hundreds of thousands of Kenyans not readily visible to the authorities in their business activities, and yet who are responsible for much of the heat of the economy.

Drive around any city, and the presence of the informal economy is ubiquitous: the presence of the informal economy is ubiquitous: hawkers, hovering in the road at traffic-lights or street corners, offering flowers or magazines for sale; temporary lean-to shacks in industrial areas selling food and drink at lunchtimes; sellers of secondhand clothes lined up in makeshift markets.

There is even a Swahili phrase for the sector: *Jua Kali*. Literally, it means "hot sun" – a reference to the sheet-metal workers and car mechanics who traditionally have bashed away at road-side stalls or under trees, hardly protected from the heat.

But there is an enormous official ambivalence towards the sector. On the one hand, the government has recognised in innumerable documents and plans that the jua kali sector is an essential element within the economy, and one that needs to be fostered.

On the other, there are innumerable instances in practice of the premises of jua kali workers being demolished and the individuals concerned driven away by city councils in response to demands by landowners to clear patches of land.

"Most entrepreneurs see the city as their enemy, not as city fathers. If you drive a city van into the jua kali areas, everyone runs away," says Kimanthi Mutua, managing director of the Kenyan rural enterprise programme, a charity which has provided more than 16,000 loans totalling over Ks160m in the past four years.

Part of the problem is that the phrase is now used so widely – to encompass the original mechanics, retailers, the informal sector or black market, or all "micro" or small and even medium-sized enterprises – that it is impossible to readily summarise its characteristics.

"It is unfortunate that jua kali is sometimes used to mean something sub-standard," says Mr Mutua. "These workers serve a big proportion of the population. They are an important source of quality employment and a nursery for larger businesses."

However, it is a sector that is little understood and defies easy enumeration. A study completed in March attempted for the first time to assess the significance of micro and small businesses within the country. The "Gemini" study (*Growth and equity through microenterprise investments and institutions*) concluded that previous calculations had under-estimated the size by more than a third.

It suggested that there are 910,000 such enterprises, occupying 2m people, many based in people's homes and 99 per cent with one to 10 workers. Most are agriculturally-based and in rural areas. Nearly half are controlled by women, and few seek formal sources of credit. They are adding 270,000 jobs a year, and 38 per cent are expanding.

These figures are borne out by the work of a number of non-government organisations which have been providing support to the sector. Promotion of Rural Initiatives and Development Enterprises (Pride) has been offering credit-support and training to the sector since the late 1980s.

Jonathan Campaigne, managing director, stresses that he sees himself as an entrepreneur first, and that Pride's activities are essentially commercial and profit-making. He despairs of the approach of some to encourage enterprise, when he believes it is already available in abundance within the country through the informal sector.

An increasing number of development agencies are now focusing attention on the informal sector, including the US Agency for International Development – which helped fund the Gemini study – and the UK's Overseas Development Administration. More controversially, the World Bank has approved a $24m programme of vouchers to assist training for the sector.

"Recognition of the jua kali sector is overdone," says Mr Mutua. "We are all crying for action." He highlights three areas of greatest political need. The first is premises, and ways in which the authorities allocate and recognise land where workers can build workshops. "I am convinced the shanties in the cities would disappear if they were given land," he says.

The second is licensing. "There needs to be streamlining to recognise the needs of the sector, rather than two or three different departments with contradictory requirements," he says, adding that licences are generally seen simply as a costly hindrance to many traders.

Third is what he calls measures to develop an "enabling environment" for the sector: incentives, financial support, anti red-tape measures and legislation to tackle hindrances to the support of small business. Other than that, he says, government might do best to "leave well alone".